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World Business Newspaper http://www.FT.com TUESDAY SEPTEMBER 30 1997

WORLD NEWS

UK warns US could wreck climate change negotiations

UK foreign secretary Robin Cook warned that the US was in danger of wrecking international negotiations in Kyoto to tackle climate change. But the US, the world's biggest producer of greenhouse gases, says its room for action is limited by fierce lobbying from industry and Congress. Page 18

Asia offerings under way
Asia's biggest international share offerings got under way as price ranges were set for the public sale of China's main mobile telephone company and Australia's national operator. Page 18; HK 'core' for China Telecoms, Page 27

Mideast peace talks hopes
Israeli and Palestinian officials hope to re-establish formal contacts next week after the Jewish New Year and may start long-delayed final status negotiations. Page 7

Merger process to be eased
The UK, German and French competition authorities aim to simplify procedures for companies involved in multinational mergers in the European Union. Page 2

Irish PM calls for probe
Irish prime minister Bertie Ahern called for an investigation into allegations of corrupt land dealings connected to his foreign minister, Ray Burke. Page 2

SE Asian forecasts cut
Economists are starting to cut their economic forecasts for south-east Asia further in the light of the drought which has hit rice crops in Indonesia and the Philippines and fuelled fires that have blanketed the region in smog. Page 18

Singapore PM wins libel case
Goh Chok Tong, Singapore's prime minister, won S$20,000 (US$13,000) libel damages against an opposition leader. Page 8; Editorial Comment, Page 17

S Korea expects deficit fall
South Korea's finance ministry said the nation's current account deficit would shrink to $15bn this year from a record $23.7bn in 1996. Page 8

Turkish PM to meet Kohl
Turkish prime minister Mesut Yilmaz is to meet Helmut Kohl, German chancellor, in his first encounter with a European leader since announcing an important shift in Turkish policy towards the European Union. Page 4

Hashimoto apology
Japanese prime minister Ryutaro Hashimoto apologised to parliament for the uproar caused by his appointment of a convict to his cabinet.

US pay and spending rise
US personal incomes and spending both rose strongly last month, in the latest indication that buoyant consumer confidence is sustaining the robust pace of overall economic growth. Page 6; Editorial Comment, Page 17

Bonino held by Taliban
Afghanistan's Taliban rulers arrested EU commissioner Emma Bonino in Kabul and held her for almost four hours for taking photographs of women. Ms Bonino later met Afghanistan's minister for foreign affairs. Observer, Page 17

NZ coalition in doubt
A question mark hangs over New Zealand's coalition government, after the overwhelming rejection of its proposed compulsory private pension scheme in a referendum. Page 8

BUSINESS NEWS

French bourse regulator allows both competing bids for Casino

France's stock market regulator CMF has approved competing bids for retailing group Casino from Promodès and "white knight" Rallye. The FFr31bn ($5.21bn) hostile bid by Promodès launched the takeover battle, which is likely to run until late October. Page 19; Red-blooded capitalism, Page 17; Lex, Page 18

Travelers Group, US financial services company, plans to maintain heavy investment in the overseas operations of Salomon Brothers. Page 19

Incentive, industrial arm of Sweden's Wallenberg, is selling 5m shares held by sister company Investor and floating its Munters humidity controls business. Page 20

Donna Karan International, the US fashion company, was boosted as Saudi billionaire Prince Al Waleed bin Talal took a $20m share stake. Page 19

Crédit Agricole, the French mutual bank, has published half-year results for the first time, showing net income up 20 per cent to FFr4.6bn ($777m). Page 20

BankBoston is to acquire Deutsche Bank, Argentina, a retail subsidiary of the Frankfurt-based group, for $250m in a bid to strengthen its presence in Latin America. Page 24

Astra, the Swedish pharmaceuticals group, is seeking patents in 60 countries for a new drug replacing its Losec anti-ulcer agent. Page 20

Kia car workers began a two-day protest strike as creditor banks of the South Korean group formally recommended it should apply for court receivership. Page 27

KLM's new president Leo van Wijk is reassuming the Northwest Airlines board seat he vacated two years ago. Page 20

Deutsche Bank's investment management division is to launch nine US mutual funds. Page 26

Virgin Records is looking at plans to curb discrepancies between album prices in different European countries. Page 9

Hitachi, Japanese electronics group, and Legend, China's leading PC manufacturer, are linking up to make low-cost PCs. Page 27

Microsoft is renewing its efforts to gain the lead in the internet browser software market with a new version of its Internet Explorer. Page 26

Philippine Stock Exchange is seeking reform of "excessive and inordinate" government taxes which it says are damaging the securities industry. Page 8

Aetna, largest US health insurer, saw its shares fall 10 per cent on Wall Street as it warned of a charge of up to $105m against its third-quarter earnings. Page 26

Hellenic Bottling Company, holder of Greece's Coca-Cola franchise, is to join Luxembourg's Molino Beverages in a $3.5bn merger. Page 22

PacifiCorp, Oregon-based electric utility whose $5.8bn bid for The Energy Group is with the UK's Monopolies and Mergers Commission, will renegotiate the offer if it can go ahead. Page 28

McKechnie, UK engineering group, is looking at potential acquisitions worth up to £100m ($160m) with an emphasis on the US and south-east Asia. Page 20

Wendy's International, the world's third-largest hamburger chain, is seeking UK and European partners. Page 28

US sanctions threat over Total's $2bn Iran gas deal

By Gerard Baker in Washington, Guy de Jonquières in London and David Owen in Paris

The US yesterday condemned the decision by Total, the French energy group, to proceed with a proposed $2bn investment in Iran's gas industry. It said it would investigate the deal with a view to imposing sanctions on Total under US law.

But the French government warned Washington against retaliation, saying it would "constitute a serious precedent in international trade". It said the deal was consistent with international law and with France's policy of maintaining a dialogue with Iran.

The confrontation between Washington and Paris marks the first serious test of controversial US legislation, enacted last year, which seeks to penalise foreign investment in what Washington calls terrorist-sponsoring states.

US sanctions could seriously strain transatlantic trade relations and prompt the European Union to retaliate by reinstating its challenge in the World Trade Organisation to the US Helms-Burton law, aimed at supporting its anti-Cuban sanctions.

Thierry Desmarest, Total's chairman, said yesterday his company had "the very clear support" of the French government for the contract and enjoyed firm backing from the European Union. US sanctions would have little commercial impact, he said.

The European Commission urged Washington to avert a dispute by concluding by mid-October an amicable settlement with the EU of their differences over extra-territorial US legislation.

The US State Department said Total's contract triggered a full investigation under the Iran-Libya sanctions act. The law provides for sanctions of varying severity on foreign companies making new investments of more than $20m in the two countries' energy industries.

If the review found the contract breached the law, President Bill Clinton would face strong pressure from Congress to impose sanctions on Total and its consortium partners, Petronas of Malaysia and Russia's Gazprom.

Senator Alfonse D'Amato, main author of the Iran-Libya sanctions act, said the French group should be "sanctioned to the fullest possible extent. There is no doubt that Total has been trying to precipitate a dispute with this contract over the implementation of the act".

The State Department said: "Our position on any investments in Iranian gas and oil fields is clear: such investments make more resources available for Iran to use in supporting terrorism and pursuing missiles and nuclear weapons."

Total said its planned investments would not reach $20m before next year, but the State Department said they were a "potentially sanctionable act".

If the US finds the Total-led contract breaks the law, it has three options. It can impose sanctions immediately, which could include confiscation of assets in the US; waive sanctions in the "national interest"; or delay sanctions pending consultations with the governments primarily responsible for regulating the companies concerned.

Mr Desmarest said Total had few US assets, and it was "pure coincidence" that the Iran contract was announced soon after Total had agreed to merge its US refining and marketing businesses with Ultramar Diamond Shamrock, a US company.

Total chief defies threats, Page 5
Editorial Comment, Page 17

Bull by the horns: Jürgen Weber, Lufthansa chief executive, at the Frankfurt stock exchange yesterday. The airline is considering selling or floating some of its non-core industrial holdings. Page 19 Reuters

Markets hit in Italy by talk of crisis over budget

By James Blitz in Rome

Concern about a possible government crisis hit Italian markets yesterday after proposals for the 1998 budget left crucial issues unresolved.

The Milan stock market closed down 1.5 per cent and bonds and the lira came under pressure.

Sergio Cofferati, leader of the CGIL trade union federation, said: "The risk of a crisis is higher now than it was a few days ago."

The budget plan, which would cut L25,000bn ($14.5bn) from next year's deficit, is aimed at ensuring that Italy stays on course to join European economic and monetary union in 1999. The government believes the proposed spending cuts and tax increases will reduce to 2.8 per cent its ratio of budget deficit to gross domestic product – well within the target for future members of a single currency.

But although the proposals amount to the mildest package of fiscal tightening seen in Italy for nine years, economic analysts are concerned by a higher

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Brussels to debate employment targets

By Michael Smith in Brussels

The European Commission will tomorrow consider ambitious targets to reduce unemployment, boost job creation and strengthen training.

Senior officials at the Commission, the European Union's executive, were last night debating proposals that would commit member states to creating 12m jobs over the next five years and cutting the EU unemployment rate from more than 10 per cent to 7 per cent.

Commissioners know that several EU countries are against targets. The UK, for example, argues that targets are too prescriptive for countries with different problems in tackling unemployment.

The proposals would also mean halving youth and long-term jobless rates over five years, and cutting by one percentage point, by 2000, taxes and other charges on companies that impede new employment "while maintaining budget neutrality".

Member states would also have to increase the number of unemployed who are offered training from the current EU average of 10 per cent to 25 per cent.

Commissioners meet tomorrow to agree a common position on the plans ahead of an employment summit of EU heads of state in November. The proposals may be diluted, but Padraig Flynn, the social affairs commissioner, is pushing them hard.

The summit was called in July at the Amsterdam meeting of heads of state amid concern over the 18m people without jobs in the EU. The UK and others want the summit to suggest broad areas where countries should take action to cut unemployment.

Some commissioners, including Mr Flynn, are concerned that such an approach would be viewed by a cynical public as being toothless. Mr Flynn argues that targets would give the EU an effective way of monitoring member states' progress in reducing unemployment.

The paper considered last night argues that the EU's longer term objective must be to move progressively towards an employment rate in line with those of its main trading partners.

It calls for a new "entrepreneurial culture". Starting up businesses and running them could be made easier by providing a clear, stable and predictable set of rules, the paper suggests.

The paper says states are spending Ecu200m ($222m) on labour market policies but only a third of this is spent on "active measures". The employment services of member states should be strengthened to help job seekers in line with best practice, it says.

London equity manager raises $2.5bn for fund

By Katharine Campbell in London

Doughty Hanson, the London-based private equity manager, has raised $2.5bn for a fund targeted at investment in the European private equity market, beating all previous records.

The dimensions of the fund demonstrate the eagerness of US investors – including the large state pension plans – to diversify outside their own domestic private equity market. About half Doughty Hanson's cash came from North America.

German, Dutch and Swiss investors are also contributing to the fund. European investors had been disappointed by the poor returns from private equity in the mid-1980s, but are creeping back into the market.

Investors are attracted by the high returns being achieved by private equity managers. Groups able to secure large commitments from investors have generally been the best performers.

The fund, which Doughty Hanson has raised within five months, is more than twice the size of any other. Charterhouse Development Capital closed a fund in June with commitments of £800m ($1.28bn). Schroder Ventures, which said it had made an average net internal rate of return for investors of 25 per cent a year over the past 10 years, also completed a $1bn fund this year.

About half the money will be invested in German-speaking countries, with 20 per cent in Scandinavia. The balance will flow into the UK, where Doughty Hanson concentrates on technology businesses. For instance, the firm holds an 8.7 per cent stake in Ionica, the Cambridge-based UK pioneer of fixed access radio,

Continued on Page 18

Markets

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	7,948.45	(+26.27)
NASDAQ Composite	1,688.38	(+6.14)
Europe and Far East		
CAC40	2,988.96	(+3.33)
DAX	4,104.27	(+23.49)
FTSE 100	5,220.3	(-6.0)
Nikkei	17,887.21	(-7.50)
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	4.956%	
Long Bond	99⅞	
Yield	6.384%	
OTHER RATES		
UK: 3-mo Interbank	7½%	(7¼%)
UK: 10 yr Gilt	105.7813	(106.218)
France: 10 yr OAT	99.89	(100.07)
Germany: 10 yr Bund	103.29	(103.38)
Japan: 10 yr JGB	107.87	(107.82)
NORTH SEA OIL (Argus)		
Brent Dated	$19.315	(19.315)

GOLD		
New York Comex		
(Oct)	$328.1	(326.8)
London		
	$327.25	(327.25)
EXCHANGE RATES		
Dollar		
New York lunchtime		
£	1.61375	
DM	1.78105	
FFr	5.9141	
SFr	1.453	
Y	121.035	
London		
£	1.6165	(1.6058)
DM	1.7589	(1.7647)
FFr	5.9073	(5.9223)
SFr	1.4521	(1.4585)
Y	120.97	(121.070)
Tokyo close		Y 121.30
Sterling		
DM	2.8432	(2.8337)

9 770174 736128 40

Bahrain	Din1.300	Belgium	BFr60	Cyprus	C£1.25
Denmark	DKr21.00	Estonia	[illegible]	Finland	Fmk19.00
France	FFr12.50	Gibraltar	£0.75	Greece	Dr450
Hungary	[illegible]	Iceland	[illegible]	Jordan	JD1.25
Kuwait	[illegible]	Latvia	Ls 1.65	Lithuania	[illegible]
Luxembourg	LFr60	Morocco	Dh18.00	Netherlands	[illegible]
Nigeria	[illegible]	Norway	NKr23.00	Oman	OR1.25
Poland	Zl 7.50	Portugal(cont)	[illegible]	Qatar	QR13.00
S.Arabia	SR13.00	S.Africa	R13.00	Spain	Pta275
Sweden	SKr22.00	Syria	S£ 80.00	Switzerland	SFr3.00
Tunisia	Din2.000	UAE	Dh13.00		

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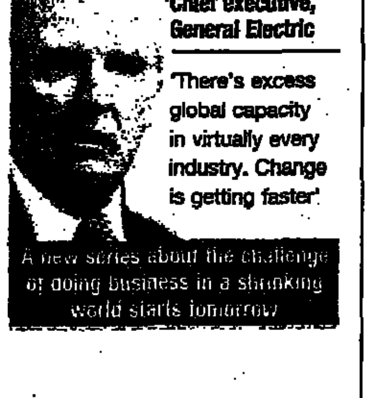

Jack Welch
Chief executive, General Electric

'There's excess global capacity in virtually every industry. Change is getting faster'

A new series about the challenge of doing business in a shrinking world starts tomorrow

EMERGING MARKETS

Market calculator indicates stronger belief that Britain will join single currency

UK seen as likely euro candidate

By Edward Luce

Preparing for Emu

The UK's chances of participating in European monetary union have rocketed in the last three days, according to J.P. Morgan's Emu calculator.

The calculator, which is based on movements in the forward swap market in interest rates after 1999, shows sterling's probability of entering the first round of Emu in 1999 rising from 31 per cent to 55 per cent over the last week.

The surge, triggered by reports the UK government is preparing a more positive stance on the single currency, the euro, is even more dramatic on the probability of the UK joining in 2002. The chances of the UK participating in the second wave of Emu rose by 20 percentage points to 79 per cent over the last seven days.

"What the markets are saying is that it is highly unlikely that a broad Emu [which includes "peripherals" such as Italy] will go ahead without the UK eventually being a part of it," said Avinash Persaud, head of currency research at J.P. Morgan.

Economists attribute the market's confidence to a number of factors, including the Labour government's friendly stance towards Brussels and its decision to grant the Bank of England independence earlier this year. "An independent central bank increases the chances that the UK will be able to break its boom-bust inflationary cycle and eventually bring the economy into line with the rest of Europe," said Alison Cottrell, chief economist at PaineWebber in London.

Market euphoria over the reported softening of the UK's objections to Emu helped push the yield spread on 10-year UK bonds to a 33-month low of 98 basis points over the equivalent German government bond on Friday. The 10-year gilt, which widened to a spread of over 100 basis points yesterday, is considered the last real "convergence play" in European government bond markets. A basis point is a hundredth of a percentage point.

Italy and Spain – previously known as Europe's "high-yielders" – have seen their benchmark bonds narrow to spreads of below 70 basis points and 50 basis points respectively in the last four weeks as confidence has grown about their chances of making it into the first round of Emu.

"Apart from Greece the UK is now the highest-yielding country in Europe," said Ms Cottrell. "You can buy gilts as an almost certain convergence play or you could buy them as a hedge against Emu going wrong; either way the spread will continue to tighten."

But economists warn that convergence of 10-year gilts towards the German benchmark will not necessarily be followed by convergence on short-term interest rates. UK interest rates were recently raised to 7 per cent compared to a mere 3 per cent level in Germany. This suggests the UK's business cycle is still markedly out of kilter with continental neighbours.

Emu optimists in the UK say Germany will raise interest rates in the near future and hope the UK will correspondingly reduce its prime interest rate during 1998. The two, according to this prediction, would coincide at a rate of around 4.5 per cent by 1999. Others dismiss this as wishful thinking.

"It is very unlikely that we are going to see UK interest rates and German interest rates completely converge before 1999," said Mr Persaud. "It is much more plausible to see that happening before 2002, which is why the probability of the UK entering in 2002 is so much higher."

Emu: who's going to make it?

J P Morgan calculator	Yesterday % 1999 (2002)	1-month ago % 1999 (2002)	6 months ago % 1999 (2002)
Germany, France, Belgium, Netherlands	100 (100)	100 (100)	100 (100)
Sweden	78 (80)	68 (72)	64 (68)
Spain	[illegible]	78 (85)	75 (78)
Italy	[illegible]	74 (81)	38 (57)
Denmark	55 (65)	44 (64)	60 (50)
UK	55 (79)	31 (59)	41 (63)
Portugal	85 (98)	79 (82)	79 (84)
Finland	84 (87)	88 (88)	77 (77)
Ireland	100 (100)	68 (72)	80 (80)

Austria: Swap market not liquid enough to provide data.
Greece: Too long a shot at this stage.

The Emu calculator provides a snapshot of the probability the financial markets place on countries joining the proposed single European currency. The markets assume that if Emu happens, Germany will be part of it, so Germany always has a probability equal to the highest value of any other country. 100 per cent means the markets believe Emu will happen. Currency strategists from investment bank J.P. Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments for an investment for fixed-rate ones.

Europe takes its new currency to the marketplace

The nuts and bolts for the launch of the single European currency on January 1 1999 are virtually in place; now comes the hard sell to investors abroad.

Yves-Thibault de Silguy is the Brussels commissioner leading the campaign to lift the profile of the euro on the international stage. Last week, he gathered up his mock euro coins and portable exhibition and set off on a mini-tour of Asia.

The plan was to use the agreements reached at last June's Amsterdam summit, on the legal status of the euro as well as currency and budget discipline among members of the single currency zone, as a springboard for the proposition that the euro was a currency whose time has come.

Mr de Silguy's first stop was Bangkok, where the economy has been in a tailspin since the summer. His hosts were understandably distracted. A senior Thai official summed up the mood: "The euro may be coming next year, but I need to know the value of the baht next week."

The commissioner's next stop was the International Monetary Fund/World Bank annual meeting in Hong Kong. His main message – which sounded very French even when delivered in English – was that the Asians should consider the euro as an alternative to the dollar, both as a transaction and as a portfolio currency.

"The world today is dominated by the US dollar, which is used for 50 per cent of commercial transactions and 80 per cent of operations on the financial markets. This structural imbalance in the international monetary system is a factor of instability. I see advantages in not living in a dollar-denominated world."

Michel Camdessus, managing director of the IMF, picked up the theme of a new multi-polar monetary order built around the euro, the dollar and the yen. His pro-Emu remarks to the Group of Seven industrialised countries raised eyebrows in the US delegation, where officials are still sceptical about the euro, while accepting, grudgingly, that it will probably go ahead on schedule.

The Chinese showed much greater interest. Theo Waigel, Germany's finance minister, reported after a meeting with Li Peng, China's hardline premier, that the Chinese leader had urged Europe to complete monetary union, which was of historic importance. Mr de Silguy revealed that Dai Xianglong, governor of the People's Bank of China, had hinted strongly that Beijing would convert a portion of its $110bn of reserves into euros after the launch of the currency.

Whether these words were little more than Chinese courtesy or signalled a shift away from dollar hegemony is unclear. The Hong Kong banking authorities were more guarded. Joseph Yam, president of the Hong Kong Monetary Authority, said his organisation would wait and see before converting any of its $85.3bn reserves. The euro had first to show it was a robust currency.

European finance ministers went out of their way to reassure their Asian audience that the euro would not be a weak currency. Jean-Claude Juncker, prime minister of Luxembourg, which holds the rotating EU presidency, said the single currency would not be deployed as a weapon to gain competitive advantage.

To counter Asian doubts further, Mr de Silguy insisted that the entry criteria for Emu would be strictly applied. The stability and growth pact agreed last June would ensure fiscal discipline among euro zone countries. The future European central bank would be "the most independent in the world". Indeed, it would be as independent as the Commission itself.

This last remark drew the odd gasp among Europeans present. In theory EU commissioners operate independently of the national governments which have dispatched them to Brussels, but in practice they rarely shy from intervening on matters of national interest.

Hans Tietmeyer, president of the Bundesbank, made no secret of his mistrust of the Commission in Hong Kong, where he spent an uncomfortable hour sitting next to Mr de Silguy at one of the innumerable conferences and breakfasts on Emu.

When one capital market analyst inquired about movements in short-term interest rates ahead of next May's decision on Emu membership, Mr Tietmeyer growled: "Why don't you ask the Commission? They've got an opinion on everything."

Mr de Silguy remains unbowed. He can sense the euro is coming. He is already planning his next sales trip to China and Japan next year.

Lionel Barber

Mergers within EU made simpler

By Robert Rice, Legal Correspondent

Competition authorities in the UK, Germany and France have joined forces to simplify procedures for companies involved in multinational mergers in the European Union.

The initiative, which comes into effect immediately, will allow European businesses to submit the same information to the three authorities for mergers which have to be examined in more than one of the three countries.

The move, pioneered by John Bridgeman, UK director general of fair trading, is seen as a direct response to changes to the European merger regulations, which increase the power of Brussels to vet European deals.

The EU changes, due to come into force next March, lower turnover thresholds, which determine whether a merger is vetted by Brussels, to cover deals that might otherwise require notification to the competition authorities in more than one member state. The "one-stop shop" merger clearance provided by the EU has proved very popular with European business.

Last year the European Commission vetted 136 deals, but more than three times as many multinational mergers did not qualify for investigation by the Commission and had to be examined on a country by country basis.

The Commission estimates that the reduction, which comes into force in March, will add only 12 deals to its annual caseload.

But the German and UK competition authorities oppose any increase in Brussels' jurisdiction and believe harmonising merger procedures at a national level will prevent further erosion of their power base.

The UK Office of Fair Trading said yesterday it hoped other EU countries would adopt the simplified procedure.

The Confederation of British Industry said: "We support any procedural improvement which reduces the need to submit different information to different authorities and comply with different timetables," but added that its preference was still for the merger regulation thresholds to be lowered further.

Competition lawyers described it as a "move in the right direction" but pointed out that the procedures, remedies and rules of national authorities remained different.

Irish premier agrees to set up land deal probe

By John Murray Brown in Dublin

Bertie Ahern, the Irish prime minister, has bowed to opposition pressure and called an investigation into allegations of corrupt land dealings connected to Ray Burke, his foreign minister.

The government tribunal, expected to be in place by the end of the week, will deal with a political donation of £30,000 sterling ($48,000) to Mr Burke in 1989 and allegations surrounding the "procurement" of planning permission for a 600-acre development in north Dublin.

The inquiry is separate from the Moriarty Tribunal set up to investigate larger payments made to the former Fianna Fail prime minister, Charles Haughey, but this is the first time any of Mr Ahern's key ministers have been implicated in financial wrongdoing.

Mr Ahern insists that Mr Burke was not on the Dublin city council at the time of the "re-zoning", and therefore not in a position to influence any decision.

In the Dail, the Irish parliament, earlier this month Mr Burke appeared to have repulsed opposition charges, insisting that the £30,000 was an unsolicited political donation from a builder, whom he had never previously met.

The case resurfaced last week after publication of parts of a letter to the builder from Micheal Bailey, a local developer and Fianna Fail member, and a close friend of Mr Burke, in which he requested a "50 per cent share in the ownership of the said lands in exchange for procuring planning permission and building bylaw approval". Further allegations emerged over the weekend that the builder provided Mr Burke with details of the land registry of the areas involved at that same meeting.

Bertie Ahern (left) and Ray Burke: Northern Ireland talks problem

Mr Ahern was due to receive a full account of the land transactions involving North Dublin county council at a cabinet meeting today. The announcement of a new investigation follows sustained opposition calls for Mr Burke's replacement and signs of unease within Fianna Fail's coalition partners, the right-of-centre Progressive Democrats.

Mr Ahern said politicians were "by and large decent and honourable people hard-pressed for cash". But even if Mr Burke is cleared of wrongdoing, the tribunal is certain to distract him from his main task of leading the Irish negotiators in Belfast on a peace settlement for Northern Ireland. Northern Ireland unionists will seize on any suggestion of impropriety by Mr Burke to question the trustworthiness of the entire Irish talks team.

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NEWS DIGEST

German building slump forecast

Insolvencies and unemployment in the German construction industry are forecast to rise sharply as orders have continued to fall over the summer according to the German Building Industry Association (HDB).

Economic pressures have weighed heavily on the industry as Germany has sought to meet the costs of reunification and satisfy the Maastricht treaty criteria for European monetary union. Construction orders in eastern Germany fell by 12.1 per cent in July, compared with the same month last year reported the HDB. Orders had fallen by 13 per cent in the first seven months of this year.

Orders in the west fell by 6.6 per cent in July and 3.7 per cent in the first seven months of 1997. HDB predicted that the number of people working in industry in the east would fall this year by 380,000 or 9 per cent. Insolvencies were forecast to rise by a quarter, to2,100. Construction employment in the west was forecast to fall by 820,000 or 8 per cent. *Andrew Taylor, Construction Correspondent*

■ IRISH PRESIDENCY

Former policeman nominated

Ireland's presidential race to find a successor to Mary Robinson is no longer an all-woman contest, with Derek Nally, a former policeman, yesterday nominated to run.

Mr Nally, who may mobilise the law and order constituency with his background in the campaign to support the victims of crime, won the backing of four county councils, thus beating today's nominations deadline for the election on October 30. Mary McAleese, the Belfast academic and Fianna Fail's candidate, is favourite, ahead of Labour's Adi Roche, an aid worker, and Fine Gael's Mary Banotti, a member of the European parliament. Dana, the former Eurovision song contest winner, is also running. *John Murray Brown, Dublin*

■ NORWEGIAN BANKS

Plan to reduce state holdings

Jens Stoltenberg, the Norwegian finance minister, has proposed to reduce the state holding in Den norske Bank (DnB) and Christiania Bank og Kreditkasse to one third of the shares, a statement from the finance ministry said yesterday.

The state currently holds 52.2 per cent in DnB and 51 per cent in Christiania Bank.

The ministry said the sale would be undertaken according to commercial principles and would happen in 1998 unless commercial conditions postponed the action until 1999. DnB is Norway's largest bank and Christiania Bank the country's second largest.

The Norwegian state was left holding majority stakes in several banks after it was forced to rescue them from a crisis over bad loans in the early 1990s. The state sold its entire 96 per cent holding in the third largest bank, Fokus Bank, in late 1995. "The government's aim is to ensure a stable national ownership in the two largest commercial banks. A one-third shareholding in DnB and Christiania Bank is sufficient to reach this goal," the ministry said.

It valued its stake in DnB at NKr10bn ($1.4bn) and its shares in Cristiania Bank at NKr7bn. *Reuters, Oslo*

■ RIVALS' ACCESS

Deutsche Telekom agrees deal

Deutsche Telekom has agreed to make fresh offers within 14 days on arrangements by which rival telecommunications groups can access its networks.

The agreement, part of discussions before liberalisation of the German telecoms market next year, came as a Münster court heard arguments over arrangements for linking competitors' networks. However, the issues at stake affect the type of connections – not the price. Deutsche Telekom said the court had helped clarify important points. *Ralph Atkins, Bonn*

■ EU MEMBERSHIP

Romania presses its case

Emil Constantinescu, president of Romania, travelled to Brussels yesterday in an attempt to persuade the European Union to begin negotiations on Romanian membership next year, alongside five other east European countries recommended by the European Commission in June. He is to hold talks with Jacques Santer, head of the Commission, and with the Belgian government.

Privately, Romanian officials do not hold out any chance of being admitted alongside the others if this occurs in 2002, but they resent being excluded from talks. Victor Ciorbea, the prime minister, said over the weekend: "We are not asking for favours. All we want is a symbolic political gesture which would enable us to start negotiations at the same time as the countries already mentioned. I think we deserve it, given the structural reforms we have launched." Mr Constantinescu will also focus on the vexed issue of visas for Romanians wishing to visit the EU, something which is demanded from citizens of the former Soviet republics, but not from Hungarians or Poles. *Anatol Lieven, Budapest*

■ TAX EVASION CHARGES

Berlusconi indicted in Milan

Former Italian premier Silvio Berlusconi was indicted yesterday on charges of tax evasion and falsification of financial statements, the prosecutor's office in Milan said.

The media magnate and opposition leader sought to conceal L5bn ($2.9m) in 1991, according to the charges.

The case involves the purchase of a villa, which Mr Berlusconi bought in 1991 and where he lives with his wife and his three sons, on the outskirts of Milan. Mr Berlusconi allegedly exaggerated the price he paid for the villa in order to create an illegal fund. Thirteen other people have been indicted along with him. A trial date in Milan was set for January 21.

A spokesman for Mr Berlusconi said he would have no comment on the indictment. In a separate case, Mr Berlusconi is on trial in Milan for alleged bribery of tax investigators probing the books of Fininvest, his family holding company. *AP, Milan*

■ GREEK-TURKISH ROW

Turks accused of expansionism

Theodoros Pangalos, Greek foreign minister, escalated a war of words with Turkey at the weekend by accusing the Turkish government of pursuing expansionist plans "which recall Hitler's Germany in the inter-war period". In an interview with the Greek daily Kathimerini, Mr Pangalos claimed Ankara had violated a Greek-Turkish agreement at the Nato summit in Madrid that both sides would respect international law and avoid threats of violence in bilateral disputes.

Talks between Mr Pangalos and Ismail Cem, Turkish foreign minister, at the UN last week collapsed amid mutual recriminations over sovereignty in the Aegean. Mr Cem said that Greece was "obsessed" by the quarrel over the uninhabited islet of Imia, which brought the two nominal Nato allies to the brink of war last year.

Mr Pangalos also backed the Greek-Cypriot plan to deploy Russian S-300 air defence missiles next year, claiming Cyprus faced "a constant threat from Turkish aircraft". Turkey says it will attack the missile sites if deployment goes ahead. *Kerin Hope, Athens*

Berlin dusts off communist showcase

Frederick Stüdemann on innovative plans to develop Schönefeld airport

Lufthansa returning to Schönefeld airport in Berlin after German reunification *Popperfoto*

Built under communism, Berlin's Schönefeld airport was intended as a showcase gateway to the world. But as an entry point to a country few outsiders wanted to visit and where the local inhabitants were largely prohibited from travelling abroad, Schönefeld never really took off.

In reunited Berlin, however, Schönefeld's future now looks brighter as it is the chosen location, out of three possibilities, for a new international airport which, in what for Germany is a highly innovative development, will be planned, built and operated by the private sector.

The new airport, Berlin-Brandenburg International (BBI), is forecast to be completed by 2006 at a cost of DM5bn ($2.8bn) to DM8bn. By 2010 BBI should be capable of handling 20m passengers a year, almost double the volume which at present passes through Berlin's existing three airports.

To reach the goal of creating a new hub on the eastern outskirts of the German capital the airports' existing owners – the federal government, the city of Berlin and the state of Brandenburg – have turned to what bankers advising on the deal call a "hybrid acquisition and project finance structure".

In a two-stage process, the public sector will sell at least 74.9 per cent of Berlin Brandenburg Flughafen Holding (BBF), the company which runs Schönefeld and the two west Berlin airports, Tegel and Tempelhof, which are scheduled to be closed once BBI is operational.

As well as buying in to an existing airport business, the successful private sector investors will also commit themselves to the financing and building of BBI for which they will receive an operational licence for 50 years. The public sector has committed itself to providing necessary support infra-structure, such as road and rail links, to BBI.

Adam de Courcy Ling, a director at Barclays de Zoete Wedd, which is acting as financial adviser and handling the tender process, says the size and the nature of the BBF/BBI deal is unique in Europe. For the first time the public sector is offering an initial tranche of more than 50 per cent.

Within Germany, he says, the Berlin sale is further evidence of a "clear trend towards airport privatisations". Last week, banks advising the state of North-Rhine Westfalia named a German-American consortium led by Harpen and Airport Group International as "preferred bidder" for a 50 per cent stake in Düsseldorf airport which is being rebuilt after a fire last year.

Berlin's airport project also indicates how private financing of public infrastructure in Germany is developing. Until recently such financing had been a neglected area, but – with public budgets increasingly under strain – it is now a growing one. Annette Fugmann-Heesing, Berlin's finance senator, admits the city's dire financial position has been one of the main motors driving privatisation in the German capital.

"The current debate in Germany about the public sector's role in the economy has been conducted much more actively here," she says.

As such, she claims the city, which this year sold its controlling stake in the utility company Bewag, has been a pioneer in privatisation and public-private financing projects.

The direct financial benefits to Berlin from the BBF sale are likely to be minimal as the company is burdened with debts, thought to be nearly DM900m, from a bad property deal near Schönefeld.

Mr Frank says that resistance within the public sector in Germany to privately financed projects remains strong. So the BBF/BBI deal will be a important test case.

His views are shared by Reinhard Kalenda, director of Hochtief Projektsentwicklung, a project development subsidiary of the Hochtief construction company. The Berlin project, he says, has a "symbolic character" as it will show whether the private sector can handle such large projects.

Hochtief has been involved in the construction of nearly all of Germany's airports. In recent years the company, which with its partner Aer Rianta, the Irish airport services group, came second in the Düsseldorf privatisation, has moved into the area of airport planning and operation.

Hochtief is likely to be one of the main contenders for the Berlin project. Initial declarations of interest must be registered with BZW by November 17.

Four or five pre-bidders will then be invited to submit detailed offers by May 31, 1998. On the basis of those offers, two bidders will be invited into a final round of negotiation.

NEWS: EUROPE

Paris prolongs CRDS payments

By Andrew Jack in Paris

French taxpayers will be required to make direct contributions to the cost of reimbursing the national social security deficit until 2014, under measures unveiled by the government yesterday.

The CRDS – *contribution au remboursement de la dette sociale* – of 0.5 per cent of income is to be prolonged by five years from its original expiry date of 2009 as part of a restructuring of the mechanism for reimbursing the country's cumulated deficits.

The operation of Cades, the state-backed institution set up by the government last year to reimburse the social security deficit, will also be extended until 2014. Cades said yesterday it had obtained an additional FFr60bn ($10bn) credit line to cover the supplementary deficits of FFr87bn until next year. The institution added that it expected to issue bonds and other financial instruments next year totalling some FFr100bn to refinance this debt.

The news follows confirmation last Friday by Martine Aubry, minister for employment and solidarity, that the government planned to reduce the social security deficit to zero by 1999, after deficits estimated at FFr37m this year and FFr12bn in 1998.

Moody's, the credit rating agency, said following yesterday's decision that it would maintain the existing rating of AAA for the long-term debt of Cades and Prime-1 for its short-term obligations.

The new liability taken on by Cades comes on top of FFr137bn in accumulated deficits for which it took responsibility last year.

Meanwhile, the tensions continued yesterday in the build-up to the salary conference between the government, employers and unions scheduled to take place on October 10. The Patronat, the French employers' federation, reiterated its opposition to the government's manifesto commitment to a reduction in the legal length of the working week from 39 hours to 35 hours without any pay cut.

It expressed confidence in Jean Gandois, its chairman, without commenting on threats by other senior industrialists to boycott the conference if the subject remained on the agenda.

Similar views were expressed by the CGPME, the confederation of small and medium-sized businesses, which said it would attend the conference to stress its opposition to the working hours' proposals.

Dominique Strauss-Kahn, economics, finance and industry minister, said over the weekend that there was still debate in the cabinet over the working hours' propositions and that the final decision would be unveiled by Lionel Jospin, the prime minister, at the conference.

Turkey to adopt new EU line in Bonn talks

By John Barham in Ankara

Mesut Yilmaz, the Turkish prime minister, meets Helmut Kohl, German chancellor, today in his first encounter with a European leader since announcing an important shift in Turkish policy towards the European Union.

This month he said Turkey would abandon its strategy of aggressively pushing for inclusion in the EU's next enlargement round. Instead Mr Yilmaz plans to bring Turkey's inflation-ridden economy, its human rights record and its political system into line with European standards before pressing Turkey's membership.

German officials have welcomed this change but are playing down any expectations of a breakthrough in Turkey's often difficult relationship with Germany. Although Germany is home to 2.05m Turkish "guest workers" it is viewed in Turkey as both the EU's most powerful member and among the most implacably opposed to Turkey's membership. Germany would have to shoulder much of the considerable financial burden of supporting Turkey's transition to the modern economy.

However, German officials have signalled that Mr Yilmaz's initiative will receive a positive response today. One senior diplomat said: "The disorder in Turkey rules out membership for a long time but there is a lot we can do to enhance relations in the meantime."

German and EU officials, support a proposal from Mr Yilmaz to build on Turkey's existing customs union with the EU by adding new areas of co-operation. These would include an enhanced security and foreign policy relationship, closer co-ordination in crime and drugs control, improved environmental co-operation, and tightening trade and financial policies.

Mr Yilmaz may also push for German support over Cyprus. Turkey angrily opposes EU plans to open membership talks with the Greek-Cypriot government in 1998. Germany and several other EU countries also oppose Cypriot membership while the island remains divided. Mr Yilmaz may also ask Mr Kohl for his backing in Turkish efforts to block deployment next year of S300 Russian missiles by the Greek-Cypriot government.

Mesut Yilmaz (third from right) yesterday flew into Bonn where he will meet business leaders and Helmut Kohl AP

Ukraine urged to tighten belt

US promises to step in to avert financial crisis if IMF order to cut budget presents problems

By Charles Clover in Kiev

Cutting the budget in an election year is a tough proposition for any government, but that is just what the International Monetary Fund wants Ukraine to do.

As the run-up to March 1998 parliamentary elections puts pressure on the Ukrainian government to spend more, the government may have to count on its membership of a special club of countries whose strategic importance to the US provides some elbow room in tough fiscal times.

William Miller, US ambassador to Ukraine, said last week that the US would step in to avert any financial calamity which might befall Ukraine, and did not exclude the US using its influence with the IMF to solve any disagreements with the Ukrainian government in the coming months.

With the IMF and the Ukrainian government at loggerheads over spending, analysts fear that voters in the March elections disgruntled by fiscal austerity will elect a leftwing parliament which could stall further reforms. By March, the Ukrainian government also hopes to pay its employees the $1.7bn in pensions and salaries it has owed them since its makeshift austerity programme last year, as well as meet promptly all its current payroll and pension obligations.

Meanwhile, the IMF has not only made repayment of wage and pension arrears a condition for further loans, but continues to demand structural reforms and further budget cuts as part of a policy which has reduced Ukraine's inflation rate from four digits to under 20 per cent expected for this year.

So far, the IMF appears to be losing the battle. "It is not excluded that we have a little too much money in circulation now," said Gerard Duschene, an economist with the European Union's Tacis aid programme.

The 1998 budget submitted to parliament earlier this month, contains a deficit which is larger than the limit imposed by the IMF in August in exchange for a one-year $542m stand-by credit facility. The IMF released the first tranche of this stand-by credit last week, but delayed the disbursement of the second tranche due to the size of Ukraine's budget deficit in August. With Ukraine's currency reserves standing at a mere 5¼ weeks of import cover, according to figures compiled by Tacis, the country does need IMF support.

As a comparison, when Mexico devalued in the 1994 "Peso Panic", it had six weeks worth of reserves. "But before you judge Ukraine's current reserve position, you must take into account what the position was a year ago. The hard currency reserves have grown considerably," explained Mr Duschene.

Nevertheless, the situation is tight, and avoiding a devaluation is critical for the development of Ukraine's capital markets. Ukraine may have a trump card in the form of its strong relationship with the US. It is currently the world's third largest recipient of US foreign aid.

"[Ukraine's] relationship with the United States has deepened every year, and there is no question that we believe that Ukraine's success will help success in Russia," said Mr Miller. The US will assist the Ukraine should a financial crisis arise, he added.

"The United States has actively participated in assisting Ukraine's economy when it has been in distress over the last few years. If it's a matter of raising funds, if IMF/World Bank conditionality is impossible, we've done everything we can to assist Ukraine in its economic reforms.

"We are a part of the IMF. We are a major donor nation. The purpose of the IMF is to assist governments like Ukraine to make the transition."

Swiss vote threatens balanced budget

By William Hall in Zurich

Switzerland's efforts to balance its budget by 2001 have been dealt a severe blow by last Sunday's national referendum overturning the government's proposed cuts in unemployment benefit.

The Swiss government had announced the first of a series of small cuts in unemployment benefits at the end of last year in an attempt to curb the mounting deficit on the unemployment insurance fund. Swiss unemployment, which averaged under 1 per cent for many years, has risen sharply following more than six years of economic stagnation and the deficit on the insurance fund is expected to rise from SFr6.2bn ($4.3bn) in 1996 to an estimated SFr7.7bn in the current year.

Kaspar Villiger, Switzerland's minister of finance, has committed himself to balancing the Swiss government's budget deficit by 2001.

Traditionally, the Swiss electorate has been supportive of its government's efforts to put finances in order. However, the sharp rise in unemployment, against a backdrop of booming corporate profits and record share prices, is leading to growing political strain in Switzerland.

The decision to challenge the proposed cut in unemployment benefits was taken by a little known unemployment committee in La Chaux de Fonds, capital of Switzerland's watchmaking industry. Initially, the group's challenge appeared to stand little chance but, with support from Switzerland's centre-left social democrat party, 50.8 per cent of the electorate voted down the cuts.

The vote highlighted the increasing political polarisation in Switzerland with the majority of the German-speaking voters, which account for two-thirds of the Swiss population, backing the government's move. But they were out-voted by the French-speaking cantons where more than 60 per cent of the electorate voted against the cuts.

Michael Bernegger, an economist at Credit Suisse First Boston in Zurich, said that the vote meant that it was now impossible for the government to meet its target of balancing the budget by 2001. However, Bernard Lambert, an economist with Pictet, a Geneva private bank, said the budget deficit would become far less of a problem as the economic recovery took hold.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

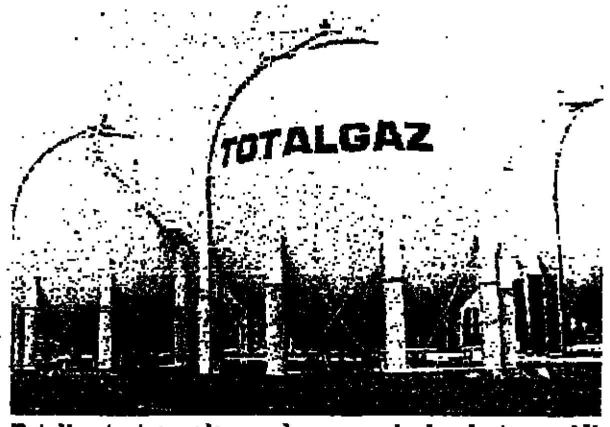
	UNITED STATES Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	JAPAN Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	GERMANY Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.2	5.4	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	9.8	6.4	4.34	6.46	2.61
1989	1.0	4.2	8.98	8.50	3.43	4.1	10.6	5.31	5.16	0.48	6.3	5.7	7.12	8.90	2.22
1990	3.6	5.5	8.06	8.55	3.60	2.6	8.5	7.82	6.90	0.65	4.5	4.5	8.49	8.66	2.11
1991	6.0	3.7	5.87	7.86	3.21	5.2	2.0	7.21	6.40	0.75	5.1	5.6	9.25	8.42	2.38
1992	12.4	1.9	3.75	7.00	2.95	4.5	−0.4	4.28	5.24	1.00	7.1	8.1	9.52	7.80	2.45
1993	11.6	1.1	3.22	5.86	2.78	3.0	1.4	2.83	4.18	0.87	9.4	7.8	7.28	6.47	2.11
1994	6.2	1.4	4.67	7.08	2.86	5.4	2.9	2.12	4.20	0.78	9.6	9.0	5.36	6.86	1.77
1995	−0.2	2.1	5.93	6.57	2.61	8.2	3.2	1.12	3.39	0.86	3.7	0.6	4.53	6.82	2.00
1996	−3.2	4.9	5.41	6.43	2.15	13.7	3.1	0.48	3.03	0.75	10.5	7.5	3.31	6.21	1.81
3rd qtr.1996	−3.8	4.4	5.49	6.77	2.20	13.4	3.5	0.51	3.11	0.75	10.8	8.2	3.27	6.34	1.81
4th qtr.1996	−4.6	4.7	5.45	6.35	2.02	10.6	3.1	0.42	2.62	0.77	11.1	8.1	3.18	5.89	1.68
1st qtr.1997	−3.9	4.9	5.47	6.56	1.87	9.7	2.8	0.44	2.43	0.88	10.3	7.7	3.19	5.72	1.52
2nd qtr.1997	−4.9	4.8	5.68	6.69	1.83	8.7	2.8	0.46	2.42	0.83	9.2	6.5	3.18	5.82	1.53
Sept 1996	−4.2	4.3	5.52	6.82	2.16	12.2	3.5	0.43	2.81	0.76	10.3	7.9	3.12	6.23	1.78
October	−4.9	4.4	5.43	6.54	2.08	11.0	3.7	0.43	2.75	0.76	11.9	8.2	3.12	6.00	1.73
November	−4.7	4.7	5.41	6.19	2.00	10.8	3.3	0.42	2.62	0.77	10.0	8.2	3.19	5.86	1.69
December	−4.3	4.9	5.51	6.29	1.99	10.0	3.1	0.42	2.48	0.80	11.3	7.8	3.23	5.79	1.61
January 1997	−3.8	5.0	5.47	6.56	1.90	10.0	3.2	0.44	2.49	0.86	11.1	8.7	3.14	5.79	1.55
February	−3.5	5.0	5.40	6.42	1.84	9.8	3.0	0.44	2.44	0.88	10.1	7.4	3.19	5.58	1.50
March	−4.5	4.6	5.55	6.70	1.87	9.3	2.8	0.45	2.36	0.89	9.8	7.0	3.26	5.76	1.49
April	−5.2	4.9	5.71	6.88	1.95	8.8	3.2	0.44	2.24	0.88	9.3	6.5	3.23	5.90	1.60
May	−4.9	4.8	5.69	6.70	1.81	9.0	3.1	0.47	2.55	0.81	9.3	6.5	3.17	5.80	1.52
June	−4.7	4.8	5.65	6.48	1.73	8.4	2.8	0.48	2.48	0.80	9.0	6.4	3.14	5.75	1.46
July	−4.2	4.9	5.58	6.21	1.64	8.2	3.0	0.54	2.30	0.79	9.8	6.2	3.14	5.56	1.33
August	−2.8	5.5	5.56	6.32	1.64	8.5	3.2	0.50	2.13	0.82	9.1	6.0	3.26	5.66	1.32

	FRANCE Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	ITALY Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	UNITED KINGDOM Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75	10.4	9.6	11.32	10.58	1.94	4.7	15.2	9.77	9.69	3.60
1988	3.9	8.3	7.94	9.08	3.69	7.6	8.7	11.24	10.54	2.71	6.8	17.3	10.41	9.62	4.48
1989	7.5	10.0	9.40	8.79	2.88	7.2	9.2	12.42	11.61	2.46	5.9	17.6	13.96	10.11	4.36
1990	3.6	9.3	10.32	9.92	3.19	9.3	10.1	11.86	11.87	2.84	5.3	16.1	14.82	11.56	5.07
1991	−4.9	2.4	9.62	9.03	3.58	7.3	8.5	11.83	13.20	3.45	2.4	7.9	11.58	10.08	4.87
1992	−0.2	5.4	10.36	8.57	3.55	6.9	7.7	13.86	13.29	3.63	2.4	5.1	9.74	9.09	4.91
1993	1.6	−2.2	8.55	6.75	3.21	4.7	7.4	10.22	11.23	2.35	4.9	3.5	5.99	7.40	4.01
1994	2.9	0.7	5.84	7.21	2.99	6.6	5.1	8.48	10.56	1.67	6.4	5.1	5.57	8.01	3.94
1995	7.0	4.3	6.60	7.53	3.17	0.2	0.4	10.38	12.22	1.72	5.9	7.3	6.77	8.16	4.15
1996	0.4	−3.5	3.94	6.32	3.05	0.7	3.3	8.75	9.43	2.19	6.7	10.0	6.11	7.79	4.08
3rd qtr.1996	6.0	−1.0	3.86	6.35	3.16	1.3	4.1	8.59	9.38	2.49	7.2	9.6	5.83	7.85	4.13
4th qtr.1996	0.4	−3.5	3.48	5.85	2.92	3.4	2.8	7.52	7.89	2.28	7.3	10.5	6.26	7.54	3.96
1st qtr.1997	2.1	−2.8	3.35	5.57	2.63	7.9		7.29	7.44	1.97	6.6	10.8	6.34	7.39	3.79
2nd qtr.1997	3.2	−0.9	3.44	5.72	2.81	7.9		6.92	7.39	2.19	6.1	11.2	6.60	7.29	3.74
Sept 1996	5.0	−1.0	3.75	6.24	3.13	1.7	3.7	8.38	9.19	2.53	7.0	10.1	5.87	7.81	4.06
October	5.0	−0.6	3.51	5.97	3.00	2.9	3.5	7.98	8.34	2.33	7.4	10.7	6.02	7.51	3.93
November	7.2	−0.7	3.47	5.84	2.90	3.8	2.7	7.39	7.72	2.28	7.4	11.0	6.40	7.56	4.01
December	0.4	−3.5	3.44	5.76	2.85	3.4	2.3	7.18	7.58	2.24	7.0	9.7	6.42	7.55	3.95
January 1997	0.8	−3.4	3.35	5.69	2.71	6.9		7.20	7.43	1.96	7.2	10.0	6.41	7.53	3.83
February	1.0	−3.4	3.33	5.39	2.52	8.4		7.29	7.15	1.86	6.3	11.2	6.29	7.17	3.73
March	2.1	−2.8	3.37	5.59	2.63	8.4		7.39	7.71	2.05	6.4	11.1	6.32	7.44	3.80
April	2.8	−1.6	3.40	5.79	2.86	8.0		7.09	7.73	2.18	5.9	10.5	6.48	7.61	3.85
May	2.8	−1.7	3.48	5.70	2.82	7.8		6.83	7.35	2.22	6.1	11.4	6.55	7.15	3.68
June	3.2	−0.9	3.43	5.66	2.76	8.0		6.85	7.08	2.16	6.2	11.6	6.77	7.10	3.70
July			3.39	5.42	2.39	9.2		6.87	6.53	1.85	5.8	12.0	7.07	7.01	3.57
August			3.43	5.53	2.41			6.86	6.67	1.80	5.0	11.6	7.25	7.05	3.49

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Investment in Iran: French oil company takes on the US over sanctions

Total chief defies US threats



Total's strategy gives only a marginal role to world's biggest economy

By David Owen in Paris

A defiant Thierry Desmarest, Total chairman, yesterday brushed off US threats after signing a contract to invest \$2bn in Iran's gas industry.

The deal was sealed on Sunday night less than a month after the US warned Europe of a "massive step backwards" in transatlantic trade relations if the investment went ahead. Mr Desmarest knows his company may face sanctions under the US Iran-Libya Sanctions Act (Ilsa). But still he went ahead.

In his office near the top of the Total tower, Mr Desmarest gives every impression that this show of defiance was carefully weighed.

For one thing, Total executives believe the damage sanctions might cause the company is very limited. "Under any hypothesis, they would have only very minor consequences for Total," he says. "Our US presence is very small."

Following last week'sdeal merging Total's US refining and marketing activities with Ultramar Diamond Shamrock, the French group has in the US 8 per cent of this combined operation, a small exploration company and some speciality chemicals operations – interests that Mr Desmarest says account for 3 per cent to 4 per cent of the group's FFr180bn (\$30bn) a year turnover.

In any case, he argues, the wording of the Ilsa Act implicates only those companies in the Total group that are directly involved in the Iranian contract or which guarantee its performance. This boils down to only two companies: Total South Pars, the entity participating in the joint venture, and Total SA, a holding company.

Thierry: sanctions would have little effect

Similarly, he admits to no fears of a consumer boycott: "We have practically no sales to end-consumers in the US."

Unlike perhaps many multinational chairmen, he seems genuinely comfortable with a strategy that allows only a marginal role for the world's largest economy.

"When you realise the Middle East has two-thirds of world oil reserves and one-third of gas reserves, I would say it is more important for an oil company to be in the Middle East than the US. Our strategic axes are really to develop in countries with fast economic growth, in particular Asia. By 2000, we expect to generate more than 30 per cent of our results in Asia."

There seems no doubt the company has been bolstered in its resolve by political support from both Paris and Brussels. "I know that both the president and the prime minister have very strong positions on this matter of principle," says Mr Desmarest. "At Brussels, there is also a very firm position...the extraterritorial character of these measures is not acceptable."

Mr Desmarest bridles at Total's reputation as a company that targets "outlaw" countries such as Iran, Libya and Burma as a source of production growth. But these will represent less than 10 per cent of hydrocarbon production, he says.

Other investors watch and wait

By Virginia Marsh

Total's proposed investment would give the French energy group a foothold in one of the world's most important and largely unexploited gas regions.

Iran's proven gas reserves are about 15 per cent of the world total, second in size only to Russia's.

But, as analysts said yesterday, Total's contract covers only part of the South Pars development and the project, and the local gas industry requires a lot more investment than the \$2bn Total and its partners are planning.

"There's no doubt Total has walked off with one of the big prizes with this contract. There are enormous resources in Iran and the reason everyone is not there already is the US legislation," an analyst said.

Royal Dutch/Shell, the Anglo-Dutch group, yesterday said it was still in discussions with the Iranian authorities over later phases of the project.

Another French energy group, Elf-Aquitaine has also held talks with Iran about investing in its Dorond oilfield.

Analysts were divided over the immediate implications of the deal on other oil and gas companies interested in Iran. "There are a lot of companies that have already been in Tehran and are some way down the path to doing deals there," said one observer. "More companies will come out of the closet now."

Others, however, said the threat of US sanctions was only part of the picture. "Iran remains a difficult place to work, there's still a certain mistrust of the regime there and the terms offered aren't always the best. As well as the US position, that's what's stopping the stampede back there."

Transatlantic trade peace at risk

By Guy de Jonquières

Far more is at stake in Total's decision to press ahead with a \$2bn investment in Iran's gas industry than the commercial cost to the French company if the US imposes sanctions on it.

The development threatens further to complicate already troubled transatlantic efforts to settle a bitter dispute over European Union objections to the extra-territorial application of US laws.

At worst, Total's move could shatter the precarious diplomatic truce which the two sides called in their hostilities in April, threatening a cycle of retaliation and another clash in the World Trade Organisation.

Much will depend on Washington's immediate reaction. The US Iran-Libya Sanctions Act (Ilsa), passed last year, provides for sanctions on companies making new investments of more than \$20m in the energy industries of the two "rogue" states.

Possible sanctions include exclusion from US government contracts, denial of export licences and prohibition on borrowing from US financial institutions.

Total believes the impact of such measures on its business would be small, because it has limited US operations. But the political fall-out from a US decision to penalise the company could be much bigger.

The EU has said that if Washington acts against European companies, it will reinstate its complaint in the WTO against the US Helms-Burton anti-Cuba law, which it suspended in April. The US has threatened to disregard any WTO ruling – a stance which could undermine the organisation.

Brussels played for time yesterday, saying it would return to the WTO only if the US imposed sanctions on Total – not if it simply opened an investigation into the Iran deal.

But even if an immediate confrontation can be averted, the Total affair makes it still less likely that the US will meet EU pleas to grant a waiver to European companies under Ilsa. That could lead France and other EU members to press for reinstatement of the WTO case.

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NTT's buyers still keep it in the family

Company has lifted its purchases 40-fold, but foreigners feel left out, says **Michiyo Nakamoto**

The US and Japan are making last-ditch efforts to resolve their dispute over procurement by Nippon Telegraph and Telephone (NTT). Previous talks failed to narrow a gap over a US demand to extend the current bilateral accord on NTT procurement, which is due to expire today.

The US and Japan are poised to agree an extension of a 16-year-old agreement to open the market to foreign suppliers.

Proponents of the agreement claim that without such a binding pact, agreed before the company was privatised, procurement of foreign products by NTT would be even less than the level now.

There is broad consensus that things have improved at NTT. Back in the early days of the agreement, officials at NTT used to joke that they were being forced to buy foreign buckets for lack of anything else to buy from outside Japan.

But a recent report by NTT claims it has bought everything from digital switching equipment to optical fibre cables and digital transmission equipment from foreign suppliers.

Procurement has increased from Y4.4bn in 1981 to Y173bn (\$1.4bn) in the year to March 1997. NTT procurement represents roughly 60 per cent of Japan's \$18bn telecommunications equipment market, according to the US chamber of commerce.

The company has made efforts to accommodate foreign suppliers by publishing key points of a procurement announcement in English, setting up a special team devoted to helping foreign suppliers overcome the barriers of language and time difference, according to Hiroya Okabe at NTT's International Procurement Office.

"NTT is quite open about working with foreign suppliers. They go to great lengths to be understood," agrees one European supplier. "However," he says, "when it comes down to it we don't seem to be winning many bids."

In spite of the tremendous improvement shown by the figures, foreign suppliers say that they are still shut out of the market by many of the same problems encountered nearly two decades ago.

As a result of the continuing barriers, there is no official breakdown of the foreign procurement values.

PCs and related equipment, which are relative newcomers to the NTT procurement market, and satellites, an area where Japanese companies have lagged western competitors, are other products which make up a significant part of foreign procurement by NTT. Another is paper purchases, used for the phone directories published by NTT.

> One of the biggest obstacles to NTT buying more foreign equipment is its obsession with its own technology

One of the biggest and most persistent obstacles to NTT buying more foreign equipment is its obsession with its own technology.

As a government institution before its privatisation in 1985, NTT had responsibility for developing national technologies which it would pass down, through joint development of equipment, to Japan's electronics and other manufacturers. Through this activity, NTT built up a group of suppliers, known as the "NTT Family."

The technology that NTT developed has been proprietary and largely closed to companies outside the NTT family. "NTT has very tight specifications not based on international standards. European companies cannot make the investments required to develop product (based on proprietary standards) for NTT, which cannot be sold on the open market," notes a European supplier.

Switches, for example, are based on NTT specifications developed in the 1970s with its suppliers. This is an area foreigners have particular difficulty breaking into since it would require investment in product development to NTT specifications and also maintenance capability.

The closed corporate culture also works against newcomers, whether foreign or Japanese. NTT does not disclose its specifications for products it is procuring and what happens is that the foreign company often loses because it fails to meet NTT's specifications, says one US equipment manufacturer.

NTT claims that it uses international standards where they are available. However, standards accepted by the International Telecommunications Union, the world body, are broad and cover a number of different standards for specific products.

Even when NTT uses a standard adopted by the ITU, the chances are that it is not a *de facto* industry standard, foreign suppliers claim.

When NTT does buy from foreign suppliers, it has a tendency to designate one foreign supplier per product category – a custom that appears politically calculated to appease the foreigners while minimising the damage to its own family of suppliers.

SEPTEMBER 30 1997

Swiss vote threatens balanced budget

By William Hall in Zurich

US incomes and spending on rise

By Gerard Baker in Washington

US personal incomes and spending both rose strongly last month, in the latest indication that buoyant consumer confidence is sustaining the robust pace of overall economic growth.

Personal incomes, the sum of wages, salaries, interest and other income, rose by a seasonally adjusted 0.6 per cent, or $39.5bn in August, the Commerce Department reported yesterday. Personal consumption expenditures increased by 0.3 per cent or $16.4bn.

Both figures followed upward revisions to July's previously recorded increases, and suggest that consumers spent enthusiastically over the summer.

That spending surge has been driven by some of the strongest increases in incomes seen for several years. Real disposable personal incomes, after tax and other payments, are now rising at an annual rate of 3 per cent. In July and August, personal consumption rose at an annual rate of more than 5 per cent in real terms, up from a rate of 2 per cent in the April-June quarter.

The rapid pace of growth seen so far in the third quarter may quicken when the figures for September are published.

The strike by workers at United Parcel Services, the parcel delivery company, in August damped the increase in incomes and spending slightly last month as more than 150,000 UPS employees had two weeks without pay, subtracting about $2.5bn or about 0.05 per cent from total incomes. That effect will probably be reversed in the September figures.

The report provided a timely reminder to the Federal Reserve's open market committee of the continuing strength of the US economy. The Fed's policy-making committee meets today and is widely expected to leave interest rates unchanged in spite of the strength of demand.

In the absence of any firm evidence of accelerating inflation, the central bank seems content to let the economy continue to expand at rates that would in the past have been considered dangerously unsustainable.

The Fed is expecting growth to slow of its own accord over the next six months, but with personal incomes continuing to rise, along with business investment, the sources of such a slowdown are not easy to identify.

The strongest increases in consumption over the summer were for durable goods purchases. In July and August, these rose at a seasonally adjusted annual rate of more than 20 per cent.

Little change in poverty

By Gerard Baker

US real incomes rose in 1996 for the second straight year, as the strong economic expansion appeared to put an end to the years of stagnation in real wages and salaries of the early 1990s.

But, according to a Census Bureau report, the number of Americans living in poverty was largely unchanged last year, suggesting the poorest have largely missed out on the most recent advances in the country's economic performance.

The bureau reported yesterday that real median household income rose by 1.2 per cent to $35,492 last year.

President Bill Clinton hailed the report as evidence of the success of his economic policies that had created more than 12m jobs since he took office in 1993.

But the report also showed the number of poor Americans edged up slightly last year to 36.5m, or about 13.7 per cent of the population, from 36.4m a year earlier. The poverty level is defined as household income below $16,036.

Mr Clinton acknowledged more needed to be done to help the poorest families, but said the report showed that, over four years, there had been significant advances by some of the ethnic and social groups with the highest concentrations of low incomes.

Mexico's unwanted peso legacy

Leslie Crawford on the search for new ways to offload assets acquired in the bank crisis

The Mexican government, saddled with a mountain of bad loans, unpaid mortgages and repossessed real estate of distressed domestic banks, is having to rethink its strategy for getting rid of $45bn of unwanted assets.

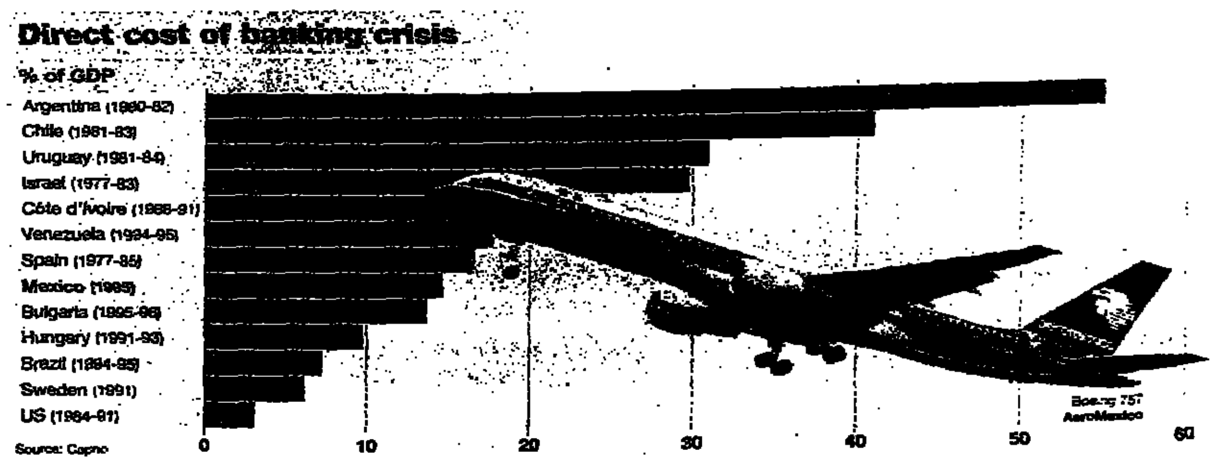
Almost half the loans in the Mexican banking system were transferred to the government to prevent the collapse of the financial system during the 1995 peso crisis.

As a result, the government has become the biggest banker in Mexico, principal creditor to more than 4,000 companies, and reluctant owner of hotels, airlines, office blocks, shoe makers, milk producers, and a host of insolvent corporations overwhelmed by debt during Mexico's recession.

Eager to recoup some of the cost of the bank rescue, banking authorities set up an independent agency last year to auction the assets in government hands. It was to be the biggest sell-off since the Resolution Trust Corporation of the US liquidated failed savings and loan trusts in the 1980s.

But the plan soon began to unravel. The 40-odd staff at the agency were overwhelmed by a logistical nightmare of trying to marshal hundreds of thousands of credits, often with little or no information about them.

The first auction, in July, was small. The agency selected the most homogeneous credits it could find – 35 loans totalling 135m pesos ($17m) – to entice bids from foreign as well as domestic asset managers. It came as a shock to the market therefore when Amresco Financial of Texas was declared the winning bidder with an offer of only 66.8m pesos, less than half the nominal value of the loans.



Source: Capno

"It was a problem of expectations," says José García-Cantera, a banking analyst with Salomon Brothers in New York. "The agency had neither the time nor the resources to present the best assets on its books."

He believes the government underestimated the work needed to turn a tangle of non-performing loans into a marketable commodity. The heavy discount, he said, also reflected the difficulty of recovering loans and enforcing contracts through a convoluted legal system.

The disappointing result of the first auction led Standard & Poor's, the US rating agency, to raise its estimate of the cost of Mexico's bank bailout to 13.5 per cent of the country's 1995 gross domestic product – the most expensive of Latin America's many banking-sector failures.

The meagre results of the first auction sent the asset disposal plan back to the drawing board. Valuación y Venta de Activos (VVA), the auction agency, was merged into a central bank trust and given a new manager, 36-year-old Alberto Mulás, a corporate restructuring specialist formerly with Lehman Brothers.

"We are trying to work with a more realistic agenda," Mr Mulás says. "Our objective is still to maximise the recovery of assets, but auctioning packages of loans may not always be the best way to go about it."

Of the $45bn of assets for sale, about $22bn are corporate loans, commercial paper and other kinds of debt pertaining to 4,000 subsidiaries of 550 big corporations.

"There may be cases where the most intelligent way of recovering assets will be to join a syndicate of creditors to refinance the debts of a corporation, or to capitalise those debts, and then prepare the companies for sale," Mr Mulás says.

He has assembled a new team of privatisation specialists, investment bankers, restructuring experts and old Mexican banking hands to work on the most complex restructurings, some involving many bank creditors and hundreds of millions of dollars of unpaid debt.

The central bank trust intends to have around $1bn of assets ready for sale before the end of the year.

The Camino Real hotel chain will be put on the block in November; its creditors are in the final stages of capitalising about $315m of unpaid debt, 90 per cent of it owed to the government.

Perhaps the most complicated sell-off will be that of Sidek, the steel and tourism conglomerate that defaulted on $2.2bn of debt shortly after the peso devaluation. Mexico's bank bailout left the government holding most of Sidek's debt.

Mr Mulás said a plan for orderly disposal of Sidek's assets, which include steel mills, hotels, marinas, golf courses and other real estate, would be presented to Sidek's domestic and foreign creditors within four weeks.

A $250m equity offering is being planned for Cintra, the holding company for Aeroméxico and Mexicana airways, which capitalised more than $1bn of debt. Latinlac, a dairy company, is in the final stages of turning $185m of debt into equity. Mr Mulás is planning a combination of loan auctions and equity placements for Salinas y Rocha, a chain of furniture stores with $435m of unpaid debt.

The share offerings are likely to test the appetite of Mexican investors for newly restructured companies, as well as their faith in Mexico's economic recovery.

Business counts cost of US emission controls

By Heather Bourbeau and Nancy Dunne in Washington

The evidence of global warming is more compelling than ever, but controls on greenhouse emissions demanded by most world governments would put US companies at a severe competitive disadvantage, studies warned yesterday.

A report by the World Wide Fund for Nature, *The State of the Climate: A time for Action*, presents worldwide data demonstrating a shift in weather patterns and changes in climates, resulting in droughts, melting glaciers, ocean warming and increases in violent storms.

The Economic Strategy Institute yesterday issued its own report saying that costs to US producers and consumers of abiding by the global environmental agreement would be much higher than the US government predicts. Vital US industries, such as chemicals, cars and steel, would suffer falls in output ranging from 3.3 per cent to 21.9 per cent. Exports would decline 3 per cent in the airline service industry and 18 per cent in steel.

ESI, funded in part by the big three carmakers, argues that US industry is being unfairly targeted. "We're not that bad" is the title of one section of the report. It says the US has improved its energy efficiency and will continue to do so without global standards.

"Energy tax increases will significantly increase the overall rate of inflation, at least in the short to intermediate term – the amount of added inflation will depend on the size of the tax increase, the time period over which it is phased in, and the possible spillovers into wages and other prices," ESI says.

WWF also published a new poll of American voters indicating that 74 per cent believe global warming is an environmental threat and 66 per cent think it is likely to get worse; [illegible]2 per cent of the 800 polled support an international pact to reduce carbon dioxide emission by 20 per cent by the year 2005.

To counter public sentiment, a coalition of businesses, unions and consumers has launched a $10m-$15m advertising campaign complaining that the global climate pact requires different levels of commitment by industrialised and developing countries.

The US Energy Department last week said the US could reduce its greenhouse emissions to 1990 levels by 2010 with little cost to the economy.

US unties Mideast peace talks deadlock

By Judy Dempsey in Jerusalem and Laura Silber in New York

Israeli and Palestinian officials hope to re-establish formal contacts next week after the Jewish New Year and may start long-delayed final status negotiations.

The talks, details of which were due to be discussed last night in New York, will end a six-month suspension of contacts that followed Israel's decision to build a new Jewish settlement at Har Homa in Arab east Jerusalem.

But US officials and analysts warned against undue optimism. "These talks will not be easy to get restarted because so much confidence between both sides has been lost," said Martin Kramer, Middle East expert at Tel Aviv University.

Over the past week, Madeleine Albright, US secretary of state, and Dennis Ross, US Middle East envoy, have held several meetings with Israeli and Palestinian officials, culminating last night in a session with David Levy, Israeli foreign minister and Abu Mazen, senior Palestinian negotiator.

The US has taken a more active role in pushing forward the talks, acting as observer on the ground in the West Bank and Gaza as Yassir Arafat, president of the Palestinian Authority, fulfils his promise to Washington and Israel to fight terrorism. In addition, Washington has taken a more critical stance towards Israel, singling out the settlement expansion policies.

But Benjamin Netanyahu, Israeli prime minister, appears determined to press ahead with building at Har Homa, expanding the Efrat settlement and establishing a Jewish presence in the Palestinian-inhabited district of Ras al-Amoud in east Jerusalem.

Washington's tougher stance is supported by US Jewish lobbies which until recently, were, publicly at least, unanimous in their support of Mr Netanyahu. According to a report yesterday in Ma'ariv, the mass circulation Israeli daily newspaper, for the first time US Jews are advocating US pressure on Israel.

"A decisive majority of American Jews are willing to have the US serve as a balanced mediator between Israel and the Palestinians," said Ma'ariv. It added that in an opinion poll of 1,198 respondents "79 per cent of American Jews support Albright's call for a 'time-out' in settlement expansion". More significantly, 82 per cent back the US promising Israel support on issues of security.

Mrs Albright has repeatedly urged Mr Netanyahu ayhu to stop expanding and building new settlements in an attempt to put the peace process back on track.

'Reformer' Moi gains the upper hand

Michela Wrong reports on how Kenya's seemingly doomed president turned the tables on a divided opposition

Moi has seized the initiative from his critics and defused the most serious challenge to his rule in years

A few months ago he appeared to be on the ropes, an ageing African "Big Man" who had overstayed his welcome. The campaign for constitutional reform was in full flow, foreign donors were piling on pressure and opposition supporters were calling for the resignation of the leader they called "Moi-butu".

But just in time for elections due by the year's end, Kenya's President Daniel arap Moi has emerged as the ultimate survivor, seizing the initiative from his critics and defusing the most serious challenge to his rule in years.

His masterstroke has been to emasculate the movement calling for the overhaul of Kenya's colonial-era constitution and laws with concessions so seemingly generous they have sown confusion in opposition ranks. Yet the gesture is unlikely to derail his drive for re-election.

So effective has his management been that Kenya now seems likely to see a repeat of the 1992 elections, when an euphoric nation went to the polls expecting to bid farewell to the ruling Kanu party, only to emerge with Mr Moi reinstated on just 36 per cent of the vote.

Launched in April, the National Convention Executive Council (NCEC) broke new ground by persuading a cross-section of society to unite behind a principle: reforming a system giving the incumbent a strong advantage in any polls.

From May to August, the success this group of religious leaders, academics, opposition MPs and human rights activists enjoyed in staging a series of high-profile protests surprised many.

Mr Moi's response was first to divide the NCEC by offering to talk only to opposition leaders and elected parliamentarians, many of whom had become irritated at being overshadowed.

But the coup de grace came on September 11, when Kanu gave its blessing to a sweeping package of reforms, ranging from the repeal of sedition laws allowing detention without trial, to the abolition of licensing for public rallies and an agreement to open up the state media to opposition parties.

Hailed by Kanu as the most significant development since Mr Moi repealed the constitutional clause banning multipartyism in 1991, the recommendations effectively robbed the NCEC of its agenda.

"Politically the wind has been taken from our sails," acknowledged Anyang Nyong'o, an opposition MP and NCEC member.

There has been much puzzled speculation as to why Kanu should suddenly present itself as a force for change.

Cynics suggest that once passed by parliament, the new laws will simply be ignored on the ground by security forces which have repeatedly demonstrated their willingness to bend the law in Kanu's favour.

Others believe the U-turn can be explained by the growing realisation that the NCEC was capable of delivering on its threat to render an increasingly tense country ungovernable.

Perhaps the most likely explanation is that Mr Moi, who is standing for the last time, was ready to risk Kanu's chances in the 2002 polls in the knowledge that reforms would come too late to affect this year's vote.

Anxious to be judged kindly by history, he could appear a democrat at no real cost to himself, particularly since two NCEC demands which could sway the poll outcome – a new chairman for the electoral commission and the introduction of a rule stipulating any winner must enjoy an absolute majority – have been ignored.

He was probably also aware that he could simultaneously ensure that the opposition entered the elections in a more divided state than at any time in its history. Predictably, it has been unable to rise above personal vanities and tribal considerations to formulate a common stance on the reform issue.

Kenneth Matiba, head of Ford-Asili, the party that culls the votes of poor Kikuyu – Kenya's largest tribe – pledges a boycott. But Michael Wamalwa, Ford-Kenya's Luhya boss, plans to stand, as does Mwai Kibaki, Kikuyu head of the Democratic Party and Raila Odinga, leader of the National Democratic party.

This means that not only will the anti-Moi vote be split, but supporters will be unsure about whether they should vote come election day.

The squabble is merely the latest example of the Kenyan opposition's tendency toward self-destruction. In the last year, parties that once claimed the support of several tribes have split along ethnic lines to become what are effectively one-tribe movements.

Drowning out discussion of issues that worry Kenyans such as land rights, unemployment and education, the tribal factor is so predominant that Mr Moi could win even if forced to a risky run-off. Kenya's three main tribes – the Kikuyu, Luo and Luhya – are so mutually suspicious they may chose to side with Kanu, their traditional enemy, rather than see a rival tribe win.

Political players blame the debâcle on Mr Moi's policies of divide and rule and a generation of opportunists.

Others, such as Richard Leakey, the palaeontologist turning politician, argue that tribalism can only be ended when Kenyans believe that the current system of state patronage has been replaced by equitable institutions allowing advancement on the basis of individual ability.

NEWS DIGEST

Iraq accuses Iran of raid

Baghdad said eight Iranian aircraft bombed targets inside Iraq yesterday and an Iranian opposition group based in Iraq said two of its camps were attacked in the raid.

Mujahideen Khalq, Iran's main exile opposition group, said the raids targeted two of their camps – one near the city of Kut, 170km south-east of Baghdad and the other near Jalwlaa, 130km north-east of the capital.

The group, which advocates the armed overthrow of the clergy-dominated government in Tehran, operates from military camps they run inside Iraq close to the borders with Iran. It has intensified its cross-border raids and attacks inside Iran in the past year.

Iraq and Iran fought a ruinous war from 1980 to 1988 and the two countries are still at loggerheads over several issues, such as repatriating prisoners of war and more than 100 aircraft sent by Iraq to Iran to escape bombing during the Gulf war. Mujahideen Khalq said the raids "caused no casualties among the (Mujahideen Khalq's) fighters but there are casualties among Iraqi civilians because some of the bombs hit Iraqi residential areas near these camps."

Reuters, Baghdad

■ ANGOLA DEMOBILISATION

Rebels win sanctions delay

Sanctions against Angola's former rebel movement Unita will be delayed for a month to give the former rebels more time to comply with Security Council demands, a US official said.

Sanctions had been due to go into effect today, but the official said the council believed Unita had begun to make progress towards demobilising its soldiers and meeting other demands. The US holds the presidency of the council this month.

The official said council members had decided to delay imposition of air and travel embargoes until October 30.

The Security Council imposed the sanctions against Unita on August 28. They were to go into force on September 30 unless Unita took "concrete and irreversible steps" to fulfilits obligations under a 1994 accord signed in Lusaka, Zambia, officially ending decades of civil war in Angola.

Unita still controls large areas of the country, including diamond mines, its chief source of revenue. The Security Council imposed arms and oil embargoes on Unita in 1993, but they have not been effective.

Reuters, New York

■ KAZAKH-RUSSIAN BORDER

Drive on drug smuggling

Kazakhstan and Russia said yesterday they would reinforce their long border to stop massive smuggling of drugs and arms. "The conditions to provide calm in our states must be established on the border," Andrei Nikolayev, director of Russia's Federal Border Guard Service, said after meeting Nursultan Nazarbayev, Kazakh president. Mr Nazarbayev said the internal stability in both the former Soviet republics was threatened by smuggling.

Drugs and arms from chronically unstable Tajikistan and Afghanistan make their way unchecked through vast but sparsely populated Kazakhstan to markets in Russia and eastern Europe.

Reuters, Almaty

NEWS: ASIA-PACIFIC

China's rich are getting richer

Tony Walker reports on a World Bank study which points to the threat of social upheaval

China's gap between rich and poor is widening and government policies are heightening inequalities risking social upheaval, a World Bank study* has concluded.

But China has also made extraordinary progress over the past 20 years in alleviating poverty, lifting a "staggering" 200m people above the poverty line.

The report warns, however, that in spite of "remarkable" average rates of growth of 8.2 per cent since 1978, backward, rural inland China is falling behind.

"Social policies favour urban areas. Economic policies favour the coast. Access to education, health care, and employment opportunities remains unequal or has become more so. And gender disparities in the marketplace may be more pronounced," the report says.

"High inequality has depressed growth, undermined poverty alleviation, and contributed to social tension ... The challenge for the Chinese government is to extend the benefits of growth to all members of society."

The report says that after China began liberalising its economy in 1978, individual incentives and market forces began immediately to increase returns on capital and land, and diversify employment.

But the benefits of growth were distributed unevenly, accruing to those most able to take advantage of rising opportunities: the educated and the enterprising, the mobile, and those with high quality land.

The World Bank warns that if richer groups enjoy consistently higher growth, "simmering social tensions" can become politically destabilising and ultimately derail growth and poverty reduction.

"China needs to manage the widening gap between rural and urban areas, the growing disparities between the coast and interior, and increasingly inequality across income groups in access to opportunities for self-improvement." The report recommends China:

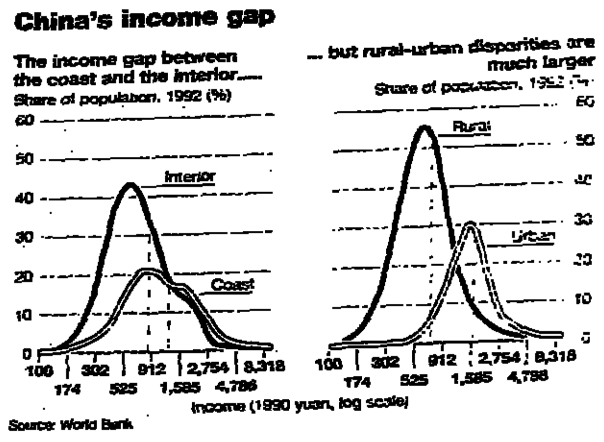
- Redress an "urban bias" which favours city dwellers in housing, food, credit, state employment and other benefits.
- Remove preferential policies which encourage investment in coastal areas at the expense of inland regions which themselves should receive more favourable treatment.
- Alleviate "gender bias" by improving access to education for women and removing discrimination in the workplace which provides greater benefits to men.
- Intensify anti-corruption moves to prevent people taking advantage of China's incomplete transition to a market system to enrich themselves.

China achieved spectacular results in poverty alleviation early in its reforms, but the momentum slowed in the 1980's before picking up again in 1992. In 1995 less than 6 per cent of the population had incomes below the absolute poverty line, or about 70m people, compared with more than 200m people in 1981.

But there is no room for complacency, the report says. Reforms have not reduced the large welfare differences between rural and urban households.

"If the marketplace alone is left to dictate social conditions, the quality of China's human resources may become more and more uneven, creating and isolating winners and losers, based on education, assets, and, increasingly, gender."

Sharing Rising Incomes: Disparities in China. The World Bank, 1997.



Goh: libel award was a tenth of what he asked for

Singapore premier wins libel case

Mr Goh Chok Tong, Singapore's prime minister, yesterday won a libel suit against an opposition leader in a widely publicised trial monitored by international human rights bodies concerned that the island's leadership was using the courts to crush opposition, Reuters reports from Singapore.

Mr Goh was awarded S$20,000 (US$13,150) in damages. He and 10 fellow leaders of the ruling People's Action party (PAP) brought eight cases of libel against Joshua Jeyaretnam, the leader of the Workers' party. Mr Goh's action was taken as a test that would determine the rulings in them all. There will now be damages hearings in the others.

The award was one-tenth of what Mr Goh had asked for, and Mr Jeyaretnam was told to pay only 60 per cent of the legal costs. Both sides employed top London libel lawyers.

Justice S. Rajendran said Mr Goh's lawyers had overstated their case and criticised them for refusing to cut costs by reducing the number of lawyers involved in the trial.

Mr Jeyaretnam said after the trial he was disappointed by the verdict, issued a month after the trial ended, but had not yet decided whether to appeal.

Mr Rajendran said in a 142-page verdict that Mr Jeyaretnam had defamed Mr Goh by announcing to a political rally that a Workers' party colleague had filed a police report against the prime minister.

He said the statement had given a "broad, negative impression" because it had suggested the prime minister might have done something wrong.

There had been defamation by innuendo because Mr Jeyaretnam's audience would have known the content of the police reports.

Lawyers for Mr Goh, who called Mr Jeyaretnam's announcement a "Molotov Cocktail" timed for maximum effect on the eve of January 2 elections, had demanded S$200,000 in total damages.

But Mr Rajendran questioned some of the claims made on Goh's behalf. "The plaintiff's [Goh's] case had, in short, been overstated," the judge said.

Mr Goh and the other PAP leaders vehemently denied such accusations, saying they had sued to preserve the integrity critical to their ability to rule.

Mr Jeyaretnam and his lawyer, George Carman, charged that the case was entirely political and aimed at bankrupting the veteran opposition leader and thus disqualifying him from parliament.

Mr Jeyaretnam said he would fight the claims for damages brought by the other PAP leaders and that he might bring Mr Carman back for one of the cases.

Mr Jeyaretnam told reporters he expected the costs in the case brought by Mr Goh to be over S$20,000.

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South Korea expects drop in trade deficit

By John Burton in Seoul

South Korea's finance ministry said yesterday that the nation's current account deficit would shrink to $15bn this year from a record $23.7bn in 1996 as the deficit for August declined by 80 per cent from a year ago.

If the finance ministry's forecasts are accurate, the current account deficit for 1997 would amount to about 3 per cent of gross domestic product, against 4.7 per cent last year. Some analysts are even more optimistic, with Schroders, the UK securities firm, estimating the deficit could fall to $11.8bn.

The August deficit of $714m represented a steady decline from January, when the monthly deficit stood at $3.04bn.

The improvement in the current account deficit reflected strong growth in core exports, such as semiconductors, as the Korean currency depreciated against the Japanese yen and US dollar.

Exports in August rose by 17.8 per cent against a year ago, when the deficit stood at $3.61bn. The export boom has reduced once-sizeable inventories, with the 5.8 per cent inventory growth in August the smallest since May 1995.

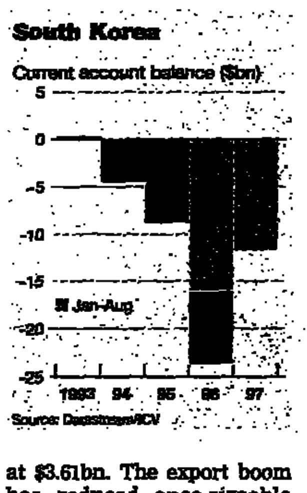
Imports declined by 10.7 per cent from a year ago as domestic demand for foreign capital and consumer goods fell because of an economic slowdown. Companies have sharply cut back on industrial investments this year and have relied on large inventories to meet demand.

Industrial output in August grew 8.6 per cent against 8.5 per cent a year ago. Analysts said this was an indication the 18-month-long downward economic cycle was close to bottoming out. However, the seasonally adjusted unemployment rate rose to 2.3 per cent in August against 2 per cent a year ago.

Hopes Korea may be able to stage an economic recovery in the fourth quarter are clouded by the uncertain fate of the Kia motor group, which is close to bankruptcy in what would be Korea's biggest corporate collapse.

A collapse of Kia could lead to higher interest rates, which would choke off new industrial investments, as creditors grow cautious about lending in the wake of other big bankruptcies this year. The benchmark three-year corporate bond yield has risen steadily in recent weeks in response to Kia's problems and closed yesterday at 12.63 per cent.

The continued weakness of the Korean currency could also force companies to reduce investments as they divert more funds to pay their foreign-currency debts.



Vietnam seeks new chief for central bank

By Jeremy Grant in Hanoi

Vietnam yesterday started hunting for a new central bank governor after parliament refused to re-nominate the incumbent, Cao Si Kiem, in an apparent vote of no-confidence in his handling of a string of banking crises.

Mr Kiem, who has been in office for eight years, presided over significant changes to the communist country's archaic banking system but came under fire recently for an inconsistent approach to foreign exchange policy.

The past six months of his tenure also saw Vietnam hit by letter of credit default by banks, including large state-owned banks with closer links to the central bank.

The move comes as pressure is building on Hanoi to devalue the currency, the dong. Although Vietnam has not been directly affected by recent currency turmoil in south-east Asia – the dong is non-convertible – the currency has long been considered overvalued and recent devaluations regionally have added to pressure to make adjustments.

Economists say Vietnamese exports would benefit from a devaluation, given cheaper exports from Vietnam's main competitors in the Association of South East Asian Nations (Asean).

Vietnam's new prime minister, Phan Van Khai, will appoint an interim central bank governor following a vote by the national assembly that overwhelmingly rejected Mr Kiem's re-nomination.

Foreign bankers say his eventual successor could be Le Duc Thuy, 49, a Harvard-trained deputy governor recently economic adviser to the party general secretary, Do Muoi. Another candidate is the deputy governor, Do Que Luong.

Bankers are anxious for progress on a long delayed banking law that would establish a much needed framework for debt management. The semi-official Vietnam Investment Review said the four state-owned banks would not meet lending targets set for this year, mostly due to disarray in the sector caused by non-performing loans.

The visiting World Bank managing director of operations, Caio Koch-Weser, said after meeting Mr Khai yesterday that financial sector reform was one of three areas Hanoi needed to tackle with urgency. The others were state enterprise reform and a reduction in tariffs.

The World Bank and International Monetary Fund have linked progress on these issues to the release of further special funding.

Mr Koch-Weser said that talks on more than $100m of such funding would be "intensified" shortly but bank officials cautioned that nothing would be finalised until the end of the year. "Don't call me an over-optimist. We need to see in the coming months whether the government can deliver on these issues," he said.

NZ coalition in doubt after referendum defeat

By Terry Hall in Wellington

A question mark hangs over New Zealand's coalition government, after the overwhelming rejection of its proposed compulsory private pension scheme in a referendum at the weekend.

The proposal, which had been actively promoted by the coalition leaders – Jim Bolger, the prime minister, and his deputy, Winston Peters – was rejected by 92.4 per cent of voters.

The magnitude of the rejection – coming on top of other strains and personality clashes in the coalition – is leading to suggestions of a challenge to Mr Bolger's leadership, backed by a large group of his own National party backbenchers worried about their political futures.

The scheme would, in effect, have abolished the current taxpayer-funded scheme and replace it with a compulsory programme requiring all workers to set aside 8 per cent of their pay towards long-term saving until it amounts to a target of NZ$120,000 (US$77,000), which on retirement would be invested to buy an annuity from a private savings company.

The government would "top up" the amount where the target was not met but the scheme would not be government-guaranteed or index-linked.

The Treasury team that designed the scheme has won praise from international and local pension experts for producing a policy which, it is believed, would ultimately lead to lower government spending.

The weekend rebuff is another setback for a government which in the most recent opinion polls earned an 84 per cent public disapproval rating.

But much of the disapproval relates to problems with its junior coalition partner, New Zealand First, led by Mr Peters.

NZ First's approval ratings have slipped from 17 per cent last November to just 1.9 per cent, following a string of mishaps including the resignation of a junior health minister and public ridicule over expensive underwear that one of its MPs bought with public funds.

Public opprobrium of NZ First has led to factions within Mr Bolger's party accusing him of poor leadership and of being too close to Mr Peters. Opinion polls show Mr Bolger has slipped by 10-15 points in the polls. One of his ministers, Jenny Shipley, who is now seen as his most probable challenger, has risen from 3 to 12 per cent support.

Parliamentary supporters say Mr Bolger's future is safe for the moment after he gave his colleagues a pep talk in which he promised to organise a relaunch of his party's economic programme in the wake of the referendum rebuff. Mr Bolger said he would reinforce fiscal discipline and look for tax cuts.

However, Mrs Shipley did nothing to halt speculation about her ambitions, following what was was described as a "brief, brisk session" with the prime minister.

Other political parties – including rightwing groups such as ACT and United – are actively sniping at National. They argue it should reject NZ First as a political liability and join forces with them.

Manila bourse urges tax reform

By Justin Marozzi in Manila

The Philippine Stock Exchange (PSE) yesterday urged reform of "excessive and inordinate" government taxes which it said were damaging the growth of the securities industry.

José Alcantara, vice-president of the exchange's business development and information group, said the PSE was now the most heavily taxed bourse in Asia. Unlike stock exchanges in Japan, Hong Kong, Malaysia, Singapore, Korea and Indonesia, the PSE levied a tax of up to 4 per cent on initial public offerings, he said.

He said the reform was necessary because of the downturn in the region's financial markets and the resulting need to increase the PSE's competitiveness to attract business.

The PSE would also propose halving the transaction tax to 0.25 per cent, ending stamp duty, and reducing Securities and Exchange Commission fees. Malaysia and Singapore were the only other Asian bourses to impose clearing fees.

"These impositions discourage broad-based public ownership of corporations ... as they only serve as an additional burden to all participants in the stock market, particularly the companies wanting to list on the exchange," Mr Alcantara said.

The PSE would this week launch a task force to examine the taxation structure for doing business on the exchange, he added.

"This is a positive move which will make the products being bought that much cheaper," said Carina Asuncion-Soso, head of SBC Warburg in Manila.

"What's more important is to resolve some of the more fundamental economic issues. The good news is that economic recovery is happening faster than anticipated."

The PSE's call comes as the government steps up efforts to reduce the impact of the regional downturn on the Philippine economy. Over the weekend, President Fidel Ramos announced a six-point directive to government departments.

These include cutting the current account deficit, maintaining fiscal stability and the momentum of economic reforms, and stabilising prices.

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Value of rolling stock contract put at $400m

Fiat eyes principal role in train sector

By Charles Batchelor, Transport Correspondent

Fiat, the Italian vehicle and industrial group, yesterday signalled its hopes of becoming a significant player in the UK railway rolling stock market through a joint bid, with GEC Alsthom, to supply 57 new trains to Virgin Trains.

The two companies yesterday submitted a joint tender, comprising both tilting and conventional train options, to supply new dieselpowered trains for Virgin's Cross Country franchise. The first 40 of the four-car trains are due for delivery by 2000 with a further 17 due by 2002 under a contract expected to have a capital value of about £250m ($402.5m).

Earlier this month, Fiat Ferroviaria, the group's railway equipment subsidiary, established a beachhead in the UK when it won an order to supply two tilting trains, with options on a further six, to Great North Eastern Railway.

Fiat has a strong position in tilt technology with its Pendolino trains and has supplied about 60 per cent of those in use around the world. But it faces tough competition for the Virgin order from rivals such as Adtranz, Siemens and Bombardier.

Virgin said a decision on whether to introduce tilting trains on its routes from Scotland to the south and west of England would depend on whether the faster journey times would outweigh additional costs.

Tilting trains sense track curves in advance and lean into them allowing faster running speeds. This avoids the need for expensive track straightening though it will be necessary to upgrade the routes on which they run, widening some tunnels and repositioning signals.

The new trains would be assembled at GEC Althom's Metro-Cammell works in Birmingham, in the English Midlands, with the wheel sets and tilting mechanism supplied by Fiat in Italy.

Even if Virgin decides not to use tilting trains, Fiat will remain a partner in the consortium because it will be providing other parts for the new trains. Fiat and GEC Alsthom are working on designs for a tilting *train à grande vitesse*, for French Railways but this is the first time they have collaborated in the UK.

Winning the GNER order has given Fiat a good start in modifying its trains to fit in the smaller UK tunnels and in preparing its application for safety approval, said Andrea Mazzotto, the company's export sales manager.

Fiat and GEC Alsthom will also be putting in a joint bid next month to supply 40 tilting trains for Virgin's main west coast line franchise.

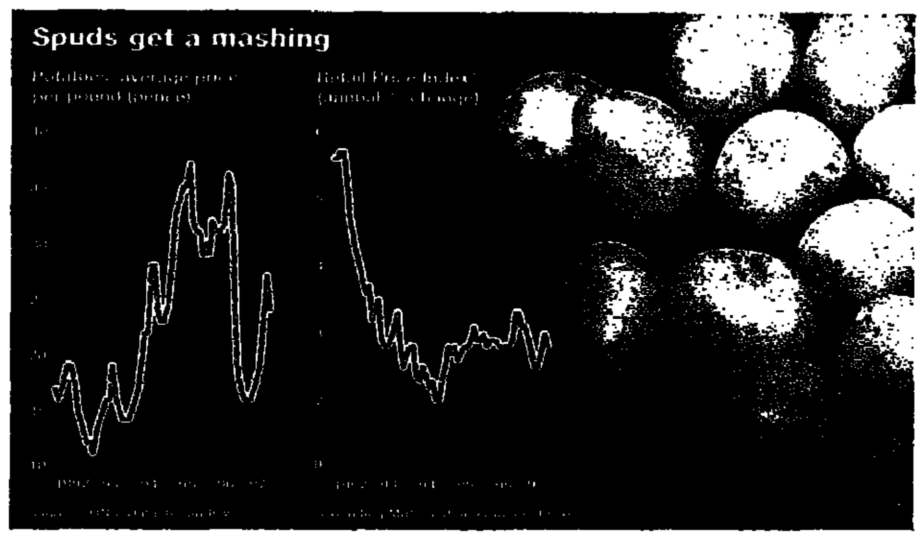
Tilting trains would reduce journey times on the more winding sections of track between Bristol and Penzance in the west of England and on the northern sections of the line between Crewe in the Midlands and Glasgow in Scotland, said Brian Barratt, chief executive of Virgin Trains.

Potato harvest catches severe cold

Price rises feared after bad weather and disease lead to worst crop for years

The humble potato, the mainstay of the British diet, could be causing heartburn for UK economists and policy-makers in the coming months.

A combination of wet weather earlier this summer and an outbreak of disease has struck this year's potato harvest. Farmers throughout the UK say the main harvest, which is now under way, could be the worst for a decade, with warnings that the price of potatoes may rise by about 30 per cent.



Apart from increasing the price of a bag of chips, the effect of a potato price rise has knock-on effects throughout the national economy.

The Office for National Statistics says processed and raw potatoes alone make up 0.5 per cent of all consumer spending in the UK, as measured by the basket of goods and services within the Retail Prices Index. All other vegetables combined make up only 0.7 per cent of the RPI.

Jon McGinty, a statistician at the ONS, says a 50 per cent increase in the wholesale price of potatoes could add 0.1 per cent to the rate of increase in the all-items RPI and thus the rate of inflation.

That figure does not include potatoes used in other categories, such as restaurant meals, crisps or the traditional fish and chip takeaway, which will all be affected by any sharp price rise.

According to the ONS, the average price of a pound of white potatoes was 24p last month, with regional variations. Around rural, potato-growing areas such as Pontefract, in West Yorkshire, northern England, farmers sell sacks of potatoes for about 5p per pound.

But at the British Potato Council's regional office in Pontefract, Bill Castellan, the regional officer, says prices this year are already between £10 and £15 higher per tonne than last year.

The effects of the disease, which hit farms in most parts of the UK, will not be known until the harvest is completed.

The problem started in early summer, when wet weather coincided with an attack of *phytophthora infestans*, the same blight that caused famine in Ireland in the 1840s. Farmers are usually able to treat the crop to withstand the fungus. But while the wet and humid weather encouraged the spread of blight, it also prevented farmers spraying the crop.

Things got worse with the later spread of two bacterial diseases – "Black Leg" and "Pink Rot" – which flourished in the wet.

Farmers in the west of Britain bore the brunt of the wet weather. But Mr Castellan says Yorkshire farmers also suffered because their varieties are usually processed and are more vulnerable to disease.

"We are all worried about the keeping quality of this year's crop. The effect on prices has yet to be decided," Mr Castellan says.

UK potato farmers are not alone. Across northern and eastern Europe, growers have reported problems following exceptionally high summer rainfall.

Blight and damp aside, the strength of sterling is also playing havoc with the prices of potatoes and the other arable staples, grain and sugarbeet. The stronger currency has caused an appreciation of the green pound, the special exchange rate used to translate European Union agricultural support. As a result, imports from Europe are cheaper and exports from the UK are more expensive.

That may put some UK farmers under financial pressure. In the meantime, the rising price of potatoes may give a new meaning to the potato council's motto: "Britain's buried treasure".

Richard Adams

European body backs brewer on tied houses

By John Willman, Consumer Industries Editor

The European Commission surprised the UK brewing industry yesterday by sanctioning the arrangement under which one of Britain's largest brewers ties its public house tenants to buying beer supplies from it.

Such arrangements force tenants to pay more for their beer than licensees of free houses. They have been the subject of litigation over complaints that they contravene European Union competition law.

But the Commission said it intended to approve the standard lease used by Whitbread for its 2,000 tenants and would backdate approval to 1990 when the lease was first used.

And it indicated the ruling was an "important signal" of its views on other such agreements on which it expected to issue rulings over the next few months.

The announcement had little impact on brewing shares because the market had been unaware the Commission was examining pub leases. A general review of the block exemption that allows EU brewers to impose supply agreements is not expected until 1999.

But Whitbread said it had referred its agreement to Brussels in 1994 after court cases were begun by licensees with pubs in the Inntrepreneur chain. None of its licensees had made a complaint to Brussels.

The Commission said the traditional UK tying arrangements were in breach of the block exemption. They cover generic types of beer, such as bitter or stout, while brewers' agreements in other EU countries normally specify particular brands.

And it found Whitbread's lessees had to pay more for their beer than individual licensees who were free of any tie. But it said the price differential was made up for by benefits such as lower rents, low-interest capital, bulk purchasing rebates and professional advice.

"The backdating of the decision lifts the threat of retrospective claims," said Simon Ward, a Whitbread director. "We set up these businesses specifically to get a working partnership between us and our lessees and this ruling seems to be saying that is working."

The ruling is only provisional at this stage. The Commission has invited "all interested third parties" to submit their views within a month, before making its final decision.

Similar reviews are under way for the other national UK brewers with pubs, such as Bass and Scottish & Newcastle, as well as pub chains operated by Inntrepreneur and Allied Domecq.

Virgin to review European pricing

By Alice Rawsthorn

Virgin Records, the label behind the Verve, George Michael and the Spice Girls, is considering plans to reduce the discrepancies between album prices in different European countries.

Mr Mark Hutton, general manager of Virgin, a subsidiary of the EMI Group, said the company was "reviewing" its policy on European pricing following a recent increase in parallel imports, whereby British retailers purchase CDs from European countries where prices are lower than in the UK.

Parallel imports have been a longstanding difficulty for the UK music industry, but the problem has worsened recently as the pound has strengthened. The difference between wholesale prices in the UK and lower-cost European music markets such as Spain and Italy has widened significantly.

If a UK retailer sells an imported album it does not affect the chart position, but may reduce the record company's profits. Record labels license the right to distribute their recordings to foreign companies in return for a royalty on sales. The value of that royalty is generally lower than the profit from selling their own version of the album.

It is illegal for record retailers to import CDs already available in the UK from countries outside the European Union, but there are no restrictions on bringing them in from other EU member states.

The acts likeliest to be affected by parallel imports are the superstars from which record companies make most of their profits.

Typically, UK record labels adopt a three-tier pricing structure. The highest wholesale price is charged for superstar albums, the lowest for new artists, with other acts adopting a middle price. Virgin is anxious to prevent UK retailers from importing foreign versions of its forthcoming superstar releases, such as the Spice Girls' *Spiceworld* and Janet Jackson's *The Velvet Rope*.

Even more vulnerable are acts like the Verve, the psychedelic rock group whose critically-acclaimed *Urban Hymns* album goes on sale on Monday. The Verve are classed as superstars in the UK, but have yet to attain the same stature elsewhere in Europe.

Urban Hymns will be given the premium price of a superstar release in the UK, but will fall into a lower price category in other countries. Virgin is concerned that this will give UK retailers an additional incentive to import the album.

Delegates back Labour leader's moves to modernise party

Blair's reforms endorsed

By Robert Peston and John Kampfner in London

Delegates to the annual conference of the UK's governing Labour party yesterday gave overwhelming support to radical reforms of the party's structure and policy-making processes proposed by Tony Blair, the prime minister.

But Mr Blair suffered his first setback since becoming Labour leader in 1994 when Peter Mandelson, one of his closest political allies, failed to be elected to the party's ruling National Executive Committee.

An attempt by opponents of the reforms to defer a decision on the changes was defeated by 76.42 per cent of the vote to 23.58 per cent.

The vote provided a fitting end to a day of celebration for Labour's leadership, enjoying its first conference in government for 19 years, following the party's landslide victory in a general election on May 1.

The result marked a personal victory for Mr Blair, who has campaigned to modernise the party in an attempt to ensure that Labour remains sufficiently popular to win the next general election in five years.

Mr Blair said after the vote: "I am absolutely delighted that the modernisation of the Labour party continues to get such overwhelming backing.

"The changes in the Labour party were an essential part of our preparation for government. We won precisely because we were new Labour. But the modernising process didn't stop on May 1. It goes on."

Under the reforms, known as Partnership in Power, conference procedures will be streamlined and updated.

There will be a rolling two-year programme of policy-making and changes to the ruling National Executive Committee aimed at involving a broader cross-section of the party.

Critics claim the changes will allow the leadership to keep troublesome left-wingers off the NEC and take away the powers of conference to make policy.

The defeat of Mr Mandelson is an embarrassment for the prime minister's hopes of presenting his party as having abandoned all vestiges of its left-wing past. Mr Mandelson, the minister without portfolio, was edged out by Ken Livingstone, the former leader of the defunct Greater London Council.

But Mr Blair's allies described the vote as "a personal comment on Peter" rather than a statement about party members' lack of enthusiasm for the reformist agenda.

Today, Mr Blair will tell the conference that fundamental reform of the welfare state and overhaul of the education system are his two priorities. This is a precursor to his meeting next Tuesday with Bill Gates, billionaire founder of software company Microsoft.

AP

Tony Blair applauds Robin Cook, the foreign secretary, at the conference. Mr Cook had called for the abolition of hereditary peers, who sit in the unelected House of Lords

Minister pledges $1.6m to tackle 'millennium bomb'

By David Wighton, Political Correspondent

Margaret Beckett, the trade and industry secretary, yesterday pledged to step up government efforts to tackle the "millennium bomb", which threatens to create computer chaos in 2000.

Pledging £1m ($1.6m) for a campaign to offer advice and training, Mrs Beckett warned that the millennium date change raised problems for all British business.

Mrs Beckett announced the formation of a unit to provide the Department of Trade and Industry with more strategic focus. She also underlined her commitment to the support of innovation with a £10m boost to the Foresight programme, which aims to identify future commercial and employment opportunities.

The programme is to be redirected to explore the scope for getting more civil benefits from defence technology and to focus more on small and medium-sized companies. It will also re-examine "the balance between wealth creation and quality of life".

Preparing for the millennium depends on Britain harnessing the benefits of new technology and science. "Britain is already a world leader in innovative and imaginative ideas. But we're not as good as we could be at taking the potential advantage for ourselves."

Mrs Beckett also pledged to step up support for the government's IT for All project, designed to widen opportunities for hands-on experience of computers.

UK NEWS DIGEST

Debt data raises rate expectation

Consumer borrowing in the UK rebounded last month, reinforcing expectations that the Bank of England, the UK central bank, will raise interest rates again in the next few months.

Consumers took on £1.08bn ($1.65bn) more new debt than they repaid during August, according to figures from the Bank. That was double the figure recorded in July, but in line with the average for the previous six months.

Mr Adam Cole, economist at HSBC James Capel, said the rebound suggested that consumers had used only a little of the proceeds from building society [mutually-owned saving and loans institutions] and insurance company windfalls to repay debts. He added that the figures were consistent "with our view that interest rates will rise further as the strength of consumer spending in the second half of the year becomes apparent".

The latest month's data suggest that the steady acceleration in consumer credit since early 1993 has reasserted itself, although month-to-month variations remain highly erratic. Credit card borrowing barely changed between July and August, with other categories of borrowing more than trebling.

Attention will be focused in coming weeks on business and consumer surveys as well as on the estimate of third-quarter economic growth. *Robert Chote, London*

■ NORTHERN IRELAND

Blair to boost multi-party talks

Tony Blair, the British prime minister, and Bertie Ahern, the Irish premier, have agreed in principle to give the multi-party talks on Northern Ireland a kick-start by officially launching the next phase of the negotiations.

Officials said the two prime ministers were likely to meet at Stormont, outside the region's principal city of Belfast, just as their predecessors, John Major and John Bruton, did in May 1996 when the talks first convened. Mr Blair would become the first UK prime minister publicly to meet Sinn Féin – political wing of the Irish Republican Army – since the troubles began 30 years ago.

Northern Ireland parties meet today to agree an agenda for the talks, which will move into a new political phase next Monday. British and Irish ministers yesterday expressed confidence that setting up an internal Northern Ireland assembly could prove relatively easy.

However, Mr Ahern dismissed as "over-optimistic" the suggestion of Mo Mowlam, the UK government's chief minister for Northern Ireland, that a settlement could be finalised by Christmas. *John Murray Brown, Dublin*

■ MAD COW DISEASE

New evidence affirms CJD link

Scientists yesterday released new evidence which, they said, comes as close as they are ever likely to get to proving that BSE or "mad cow disease" caused the new variant of Creutzfeldt-Jakob disease (nvCJD) in humans.

In response, the government's spongiform encephalopathy advisory committee said it had just reviewed this "convincing evidence that the agent which causes BSE is the same as that which causes nvCJD".

The committee "concluded that the necessary measures to protect public and animal health are in place and saw no need for any changes in the light of these new findings".

But the evidence, published as two separate papers in the journal Nature, is bound to increase pressure on the government to compensate victims of nvCJD – 21 people so far, with an average age of 29 – and to hold a full judicial inquiry into BSE. Jack Cunningham, the agriculture minister, is reviewing the government's position on an inquiry, officials said.

● In a letter to Franz Fischler, European farm commissioner, Jack Cunningham, agriculture minister, yesterday criticised a French newspaper report that at least 10,000 tonnes of British beef had been exported fraudulently as "baseless". *Clive Cookson and Alison Maitland, London*

■ TELEVISION

Ratings to decide directors' pay

The independent television network is to link senior directors' pay to the channel's ratings share as it fights a gradual decline in viewers.

Richard Eyre, ITV's new chief executive, told advertisers yesterday that he and David Liddiment, ITV's director of programming, would be given financial incentives to improve ratings. Mr Eyre, who started in the job yesterday, said he recognised the frustration of advertisers and promised a new schedule strategy early next year.

ITV's audience share has declined to 33 per cent of total viewing from about 38 per cent four years ago in the face of competition from other channels and internal competition between ITV companies.

Mr Eyre, speaking at the launch of ITV's schedule for next year, said ITV was an "under-performing" brand that could do better. Its shareholders had recognised this by devolving control to an "empowered executive". A campaign by advertisers to increase the number of minutes of advertising on ITV has just been rejected by regulators. The only alternative that would satisfy advertisers would be to "get the bloody ratings up", Mr Eyre said. ITV announced at the launch that it had signed the "Fantasy Football" entertainment format from the BBC for several shows during the World Cup. *John Gapper, London*

■ ENVIRONMENTAL HEALTH

Asbestos dumped on city sites

Health and safety officials were last night investigating a factory in a district of Birmingham, Britain's second-largest city, after more than 250 bags of asbestos were dumped on eight public sites across the area. Police sealed off the eight sites in north Birmingham, as their officers and health officials (left) in chemical protection suits cleared the asbestos. Most of the sites were close to local chain stores, including a supermarket and hardware store. The highly dangerous blue asbestos was discovered after children began playing close to the bags on Sunday. Much of the asbestos was left in unmarked black plastic refuse sacks, which had split on the ground. Others, in red plastic, were marked with warnings.

Officials traced five children yesterday who came into contact with the bags, but were visiting local schools in an appeal for others to come forward. Clothes worn by the children were taken for decontamination.

Investigators from the government's Health and Safety Executive yesterday closed down a factory unit run by Rollco Screw and Rivet Company, where an asbestos-lined roof was being removed without protection. A dozen employees are thought to have been working normally inside the factory, in the Aston area of the city, while contractors stripped the asbestos roof overhead.

About 3,500 people die in the UK every year from diseases related to asbestos, two-thirds from lung cancer. Most of the deaths are the result of prolonged exposure to the material. *Richard Wolffe, Birmingham*

PhotoPoint has potential to selectively target a range of abnormal tissues in the body, such as diseases like cancer or retinal abnormalities.

In clinical studies, the PhotoPoint drug is injected and is subsequently retained by target cells. It remains inactive until exposed to a specific wavelength of non-thermal red light.

Light is directed at the target area. A small diode-based system generates the light, and special devices deliver it within the body or on its surface.

Targeted cells are destroyed by an interaction between the drug and the light, with minimal known side effects. PhotoPoint, now in clinical trials, is being developed as an outpatient procedure.

WE DON'T EXPECT A CORPORATE NAME CHANGE TO GET THE ATTENTION OF INVESTORS. WOULD A BREAKTHROUGH IN MEDICAL TECHNOLOGY SUFFICE?

For the record, PDT Inc. will henceforth be known as Miravant. But since you never heard of us to begin with, that's no big news.

But here's why you just might be hearing a lot about us from now on.

We're developing a medical procedure that uses light-activated drugs to destroy targeted cells with minimal damage to surrounding normal tissues.

This has potential application for a wide range of medical conditions, from cancers to eye diseases, and is currently being tested in preclinical and clinical studies in the U.S. and internationally.

It's a more highly-evolved version of a discipline known in medical circles as *photodynamic therapy*. But our approach is so advanced we're branding it under a different name. (More about that later.)

To begin with, our procedure uses proprietary synthetic drugs because they have the potential to be precise and controllable. Our patents cover broad *classes* of compounds.

We are synthesizing these drugs to react to a low-power red light that is ideally suited for penetrating body tissue. We are also developing light-producing devices designed to be compact and affordable, yet allow for precise control through sophisticated software.

Next, through years of research we've gained a unique expertise in *dosimetry*, determining the amount of drug to administer, the time needed for the drug to achieve optimal concentration in diseased or target cells, and how to control the intensity and duration of light.

This in turn may offer the physician considerable selectivity in the application of the treatment.

Finally, we have forged strategic alliances with some of the most respected names in the medical industry.

We plan to market this procedure under the brand name PhotoPoint™. We will work aggressively with our corporate partners to create a sharply-focused brand identity for PhotoPoint among the medical and patient community. Through these efforts, we look for PhotoPoint to become synonymous with the highest standard of control in photoselective procedures.

No business plan can guarantee success, of course, and drug approval is a challenging process. But we think our strategy of pursuing multiple revenue streams and strategic alliances that provide a path to market will position us to become a leader in a whole new field of medicine.

You'll be reading a lot more about Miravant in the months to come. But if you don't want to wait, visit our website at www.miravant.com, or call our investor relations department at 805-685-9880.

Learn more about PhotoPoint™ and Miravant (Nasdaq: MRVT) at www.miravant.com, or call us at 805-685-9880.
The company's products require regulatory approval before marketing.

MIRAVANT
MEDICAL TECHNOLOGIES

Court rejects Lux steel aid

EUROPEAN COURT

The European Commission was wrong to allow the Luxembourg government to give state aid to a Luxembourg steel producer in relation to the construction of a new steel plant, the European Court of First Instance ruled last week.

In line with European rules on state aid for the steel industry, the Luxembourg government notified the Commission of its intention to grant aid to ProfilArbed.

The Commission opened a procedure against the planned grant of aid and received several comments, including the views of the UK Steel Association.

On December 31 1994, the Commission adopted a decision allowing aid of not more than 15 per cent of the amount the company had committed to spending on environmental protection in respect of the new plant.

The new plant was to replace existing plants which no longer complied with Luxembourg environmental standards.

The UK Steel Association challenged the decision and sought to have it annulled. The Luxembourg government and Arbed, the parent company, intervened in support of the Commission.

The application turned on the interpretation of European rules on state aid for the steel industry. The relevant provisions in force at the time the decision was taken stated that aid granted to steel companies for bringing plants into line with new statutory environmental standards could only be deemed compatible with the common market where the plant had been in operation for at least two years before the new standards were introduced.

A Commission communication on the EU framework on state aid for the steel industry in environmental matters reiterated the point.

But in spite of these clear words, the Commission decided aid could be granted for replacing old facilities with new ones meeting the new environmental standards, rather than for the upgrading of plants which had begun operating at least two years before the standards were introduced.

The Luxembourg government and Arbed argued that the work did not constitute the construction of a new plant, rather the adaptation of existing plant.

But the Court dismissed that argument on factual grounds, not least because the Commission decision stated that the aid was for the replacement of an old plant with new facilities.

The UK Steel Association argued that the plain and unambiguous wording of the European rules referred only to plants which entered into service at least two years prior to the introduction of the new environmental standards. Aid for the replacement of old plant was not covered.

The Commission, however, argued that its interpretation was entirely consistent with the European framework rules, as it provided for the most efficient solution to bring ProfilArbed's production into line with the new standards.

The Commission also relied on the fact that the Single European Act had strengthened the importance of EU powers in the environmental field.

The Court ruled in the UK Steel Association's favour. The context and purpose of the European provisions did not permit the Commission to go beyond the clear meaning of the words in question.

That conclusion was not altered by the fact that the national environmental standards in question were more stringent than those in other member states or by the fact that the amount of aid authorised was at least one-third lower than the maximum amount which could in theory have been authorised.

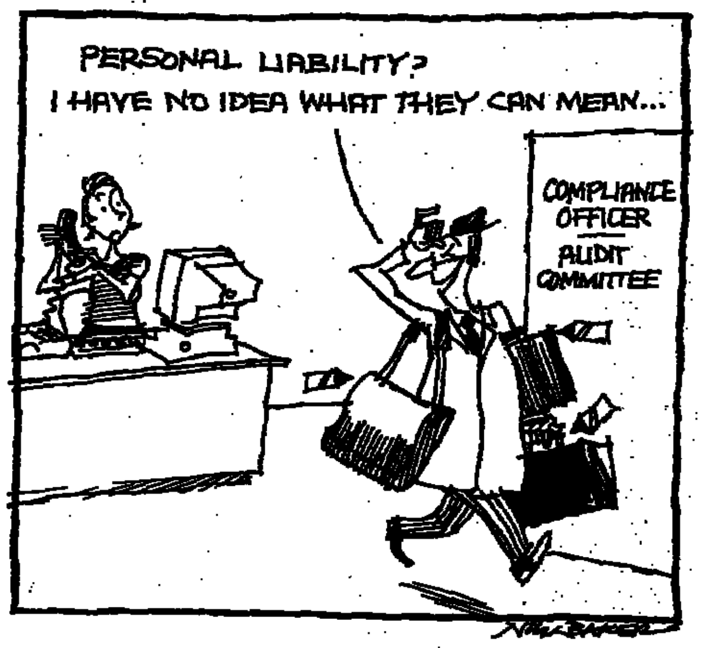
These considerations could not justify granting aid which did not meet the conditions laid down in the relevant European rules on state aid for the EU steel industry.

T-150/95: UK Steel Association v Commission, CFI 5CH, September 25 1997

BRICK COURT CHAMBERS, BRUSSELS

A shield for directors

Mark Kessel on how companies should use their audit committees



The thousands of executives who sit on America's corporate boards – and the tens of thousands of others who have been asked to, or think they may be – are quick to cite the risks which directors face.

It is a daunting prospect that business reputation and wallet are continually at risk from one errant action by a rogue executive, middle manager, line manager, rank and file employee or agent acting on behalf of the company and its board.

Last year the influential Delaware Chancery Court gave directors a strong shield from personal liability in shareholder lawsuits seeking to hold them responsible for employee wrongdoing that harms the company. Experts predicted a rush to create "compliance" systems similar to the one that protected the board in that case.

That would have an undeniably salutary effect on American business. By insulating themselves, board members would also be protecting their companies and shareholders from the devastating effects of corporate wrongdoing.

But anecdotal evidence suggests little has changed since 1995, when a survey of 500 companies reported that only about half had a procedure for taking ethical violations to the board. The other 240 companies evidently felt these violations either could not happen to them, did not matter or were none of the board's business.

In August, the New York State public pension fund trustee sued the board of Columbia/HCA, the US hospitals group, for allegedly allowing fraud to flourish. The trustees demanded that Columbia put procedures in place to prevent future wrongdoing. At least two other state funds have followed suit.

Most public company boards have audit committees responsible for keeping the company out of trouble. But many committees have been on automatic pilot since the 1970s, when highly publicised international corporate bribes and massive bankruptcies of household-name companies focused boards on the problem. Meanwhile, the hazards have increased exponentially.

Securities laws, environmental laws, labour laws, anti-trust laws, discrimination and equal opportunities regulations, the Foreign Corrupt Practices Act and the Internal Revenue Code, all provide ample opportunity for even the innocent and sophisticated to wander from the path of righteousness.

The stakes are high when an audit committee fails in its oversight responsibility. Many companies, seen as invincible, have been tripped or brought to their knees by the actions of just one employee.

Barings was burned by one trader; a copper trader cost Sumitomo more than $1bn; Daiwa paid hundreds of millions in fines and was thrown out of the US; Bankers Trust was hammered by a few derivatives traders; and, a meeting of a few executives became a public relations nightmare for Texaco. Better internal controls might have prevented some of these catastrophes.

Beyond the financial damage, few directors want their reputations sullied by such high-profile cases. Recently, half of the 41-member board of Dai-Ichi Kangyo Bank resigned amid a widening scandal involving accusations of illegal loans to gangsters. The widely distributed photograph of top officials bowing deeply in apology served as an indelible reminder of the potential cost to personal and professional reputation.

The Delaware decision stated that a director's obligations include good faith efforts to ensure an adequate corporate information and reporting system exists. A failure to put such a system in place, may render the director liable for losses caused by non-compliance with applicable legal standards.

But the system need not actually prevent wrongdoing, the court said. In fact, in the Delaware case, Caremark International had been forced to pay $250m in criminal fines after admitting making illegal payments to induce doctors to prescribe its services.

The court noted that the directors had taken active steps to ensure compliance, including naming a senior executive as compliance officer, adopting an ethics code and setting up an internal audit plan monitored by board committees.

How to direct the audit committee to the most important issues is complicated. However, there a few basic, though not always obvious, questions to consider in determining whether your audit committee is functioning effectively.

Is the background of the audit committee members adequate to deal with the increasing complexity of the financial, tax, accounting and audit issues? Some compliance plans are on cruise control while the complexity of the issues has overtaken the qualifications of members appointed years ago.

Has the committee reviewed the adequacy of the controls surrounding electronic data processing and computer security? The importance of the information in our computers increases exponentially, as do the unauthorised ways of getting at it. If your security measures have been marking time during this progression, you can not argue that you have taken adequate safeguards.

Has the committee reviewed the adequacy of the disaster recovery program? Even if your company is unlikely to be a terrorist target, no place on earth is immune from natural disasters. Do the audit committee members get sufficient information to meet their responsibilities? An effective compliance system will provide the committee with affirmative proof that the system is actively functioning.

Has the committee reviewed the adequacy of the company's compliance with laws, regulations and codes of conduct? Does the committee review the qualifications of the internal audit staff, of the outside auditing firm and the auditing partner?

Is the committee pro-active? Does it consider emerging or future issues that require attention now, such as the "millennium bug"? Does it look for danger signs, such as unexpected re-organisations, high turnover in management, merger or acquisition proposals that would change the company's strategy or direction, major lawsuits, significant changes in accounting standards or a change in independent auditors which result from accounting disagreements, unusual foreign currency transaction, overly optimistic press releases and shareholder communications?

Does the committee assess itself? Does it, along with appropriate advisers, review best audit committee practice, and determine how it fares against that standard?

A realistic self-assessment can avert a far more painful external assessment later.

Resolving these issues should help to ensure the audit committee is a shield for directors and not a sword for lawyers and shareholders.

The author is a partner of Shearman & Sterling, the New York-based international law firm

LEGAL BRIEFS

Taking the Paine out of moving

Linklaters & Paines, the City-based international law firm, will take the opportunity of its imminent move to new premises to change its name. From October 13 the firm will be known in public simply as Linklaters. The firm stressed however that it would remain Linklaters & Paines for all legal purposes and that remained the name of the firm registered with the Law Society.

Mark of quality

The Law Society will today launch a new quality mark tailored to the specific needs of solicitors' firms. The new quality mark, Lexcel, is based on the society's practice management standards. The society intends to publish a practice management standards kit to help firms and company in-house legal departments achieve the mark.

Project finance

Freshfields, the UK-based international law firm, has appointed Peter Cleary, a US project finance lawyer with 15 years experience in Asia, as a partner based in Hong Kong.

Madrid office

Squire Sanders & Dempsey, the US-based international law firm, has opened an office in Madrid, its eighth European office. It concentrate on cross-border mergers and acquisition, finance and telecommunications, complementing the firm's practice in central and south America. The Madrid office will be managed by Juan Picón, formerly of Clifford Chance, Madrid and Javier Santos, a former partner of the Madrid firm, Cremades.

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Macin – Eastern Romania
- Pig farm
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Deloitte & Touche

For further information please contact Jamie Smith at Deloitte & Touche, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR. Tel: 0171 303 3334. Fax: 0171 583 1198.
Email: Jamie_Smith@deloitte.touche.co.uk.

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For further information contact:
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TECHNOLOGY

Victoria Griffith on the increasingly sophisticated devices now available for the disabled

A helping hand

The Star Trek TV space adventure series stars a blind character called Geordi, whose hip-looking visor gives him enhanced vision. While such miraculous devices are not available in real life, scientists are edging closer.

From hearing implants for the deaf to electronically controlled hands and limbs, technology for the disabled is making important advances.

Even the Star Trek visor has made a real-life appearance, albeit in watered-down form. In Baltimore, Johns Hopkins University has developed a visor called the Low Vision Enhancement System (LVES, pronounced "Elvis") that allows the legally blind with some visual function to see more clearly. A tiny video camera on the visor projects an image of what the user is looking at on to the lens.

Wearers can greatly magnify what they are seeing, sharpen contrasts and immediately adjust to light changes to achieve a constant picture. In essence, the wearer sees a simplified, clearer image of the world.

In other areas, too, progress is being made. Scientists in the US and in Sweden are experimenting with the direct attachment of artificial hands to existing skeleton and muscles to give users more control. The German group Otto Bock launched a new computer-controlled device in May to manage knee movements, allowing people with an artificial leg to walk more naturally.

In the UK, Hampshire-based Blatchford, which makes Endolite prosthetic products, has been at the forefront of introducing microprocessor technology to the sector. A decade after breaking new ground with the introduction of carbon fibre composite materials, in the early 1990s it claimed the first application of microprocessors in lower limb prosthetic products.

One of Blatchford's recent innovations is the rapidly-programmable Endolite Intelligent Prosthesis Plus system. This uses a microprocessor to allow the transfemoral (above knee) amputee to walk more naturally over a wide range of speeds.

At Northwestern University in Chicago, meanwhile, scientists have created prosthetic hands that are controlled by tiny muscle movements. A twitch of the shoulder, for instance, sends an electronic impulse into the artificial hand and produces a pre-programmed response, such as clutching.

The use of inner ear implants for the deaf – made by 3M and Advanced Bionics Corporation – is becoming increasingly popular, too. Unlike traditional hearing aids, which merely amplify sounds, cochlear implants sort useful from non-useful sounds and transform them into electrical impulses. Those impulses bypass the damaged inner ear to reach the nerve that conducts auditory messages to the brain.

While a number of companies make devices for the disabled, scientists complain that it can be difficult to convince the private sector that there is a sizeable market for such products. Johns Hopkins University is searching for a new manufacturer for its visor since US-based Visionics dropped the product after it had sold just 500 devices in two years.

"The demand for disabled technology is there, but the question is who will pay for it," says Dudley Childress, a professor at Northwestern Medical School. "It wasn't too long ago that even wheelchairs were considered a luxury."

The market for gadgets for the disabled is large. Some 28m Americans are deaf or hard of hearing, according to the National Institutes of Health. About 125,000 people suffer an amputation every year in the US, according to Northwestern University. The legions of disabled are expected to grow, moreover, with the ageing of the general population. Deafness, blindness and amputated limbs as a result of diabetes or cardiac disease are far more common in old age.

Henry Grant

Hands on: technological advances have made it possible for the blind to read using alternatives to braille

The trouble is that the devices are often too expensive for individuals to pay for themselves and insurance companies do not always pick up the tab. Many of the new technologies aim to improve a patient's quality of life rather than improve survival rates, making it a grey area for healthcare coverage.

To make matters worse, such mechanisms usually work so imperfectly, they may not seem worth the investment. The challenges are illustrated by experiments at the University of Delaware into robotic arms to help the paralysed perform simple tasks, such as eating and brushing their hair.

Robots acting on voice command alone have proved too difficult for most people to manoeuvre. "Just saying up, over, down, to the robot can be very frustrating, as anyone knows who's tried to use one of those robotic arms to pick up stuffed animals and other goodies at an arcade," says Richard Foulds, who heads the research.

So University of Delaware scientists are trying to add sophisticated memory into the robot. The arm would be programmed to know ahead of time, for instance, the approximate circumference of a person's favourite coffee mug, and more or less where it usually lies on a desk or table.

"The problem is that it's a lot of programming for little effect," says Mr Foulds. "But what seem like small things to people with all their physical capabilities, like lifting a spoon, are very important to the disabled. It's liberating to feed yourself."

Nancy Clark, a legally blind school teacher who has been using the LVES visor for two years as part of the Johns Hopkins research effort, says her quality of life has improved enormously with the new technology.

She once graded student papers by asking her children to read them to her. Now she deciphers them herself. "I just wish they could make the visor a little lighter, and maybe more fashionable," she says.

But since the product has no commercial sponsor, Ms Clark will probably not get her wish in the near future.

The protein bug

The search for new ways to produce genetically engineered pharmaceuticals is coming up with ever more ingenious solutions.

These have ranged from sheep that can be genetically engineered to produce medicines in their milk, to transgenic plants that can be made to produce medically useful proteins in their seeds and roots. And now researchers can turn insect larvae into tiny pharmaceutical factories.

Scientists at the Boyce Thompson Institute for Plant Research at Cornell University have produced commercial quantities of "recombinant" pharmaceutical proteins out of caterpillar larvae.

The researchers infect the insect larvae with genetically engineered viruses that alter the insects' DNA structure to produce the required protein. After a few days, the insect dies and the protein is collected and purified.

The researchers use a technique developed at the BTI to reduce the cost of rearing the insects. This system, called a "high-efficiency rearing device", is a box full of tightly spaced small pillars. The caterpillar larvae attach themselves to the pillars, making it easy to infect them with the virus and harvest the proteins. Thousands of larvae can be raised in a device the size of a shoebox.

In some respects, the technique is not a radically new departure. Recombinant viruses have been used before to make pharmaceutical proteins in cultures of insect cells. But this is an expensive technique.

Alan Wood, a BTI researcher, reports strong interest from drugs companies in the insect larvae technique because it can make proteins – such as receptor proteins – that are hard to make in other systems. He thinks the approach has vast potential.

Vanessa Houlder

Easier designs for the net

Web pages must cater more for the disabled, says **George Cole**

The next time you log on to the internet, try a little experiment. As you surf the sites, count the number of times you have to move the computer mouse around the screen to click on a word or icon. Now imagine trying to do the same actions if you were visually impaired or had a physical disability that made it difficult to control a mouse.

The internet has been described as the greatest communication phenomenon of the late 20th century, linking millions of people around the world with the aid of a computer, modem and telephone line. But there is a fear that the internet will leave behind many of the 750m people with disabilities around the world.

The problem could become even worse as internet pages on the world wide web, which offers pictures and text, move towards complex designs with even fancier graphics and animations. Many web pages also use frames – pages within pages – and have sophisticated links to other internet sites.

A number of web design companies are looking to replace the lists used by today's internet search engines, which help users locate subjects of interest, with elaborate 3D-type page designs. And many web pages cannot be used with tools designed to help people with disabilities, such as screen readers, which convert text to speech.

"The internet offers great opportunities for people with disabilities, but it's not standardised and each page is different. We're trying to influence people to think about the visually impaired when it comes to page design," says Mark Prowse of the Royal National Institute for the Blind in London.

The RNIB has set up a working group to study the problem of internet access for blind people. Deaf people also encounter problems as a growing number of web pages using sound that lacks captioning or other forms of audio descriptions.

Meldreth Manor School in Royston, England, has developed a web site, (www.rmplc.co.uk/eduweb/sites/meldreth/index.html) specially designed for people with disabilities. Many of the school's pupils have severely impaired vision or hearing.

"There's not enough thought given to people with disabilities," says Richard Walter, the school's IT co-ordinator. At Meldreth's web site, the emphasis is on clarity and simplicity of access. Arrows are used to help users scroll down the page. A mouse pointer can be left in a single position and used for turning pages. There are no frames and the web pages can be read with a screen reader or a magnifier to enlarge the text.

In April, the World Wide Web Consortium (W3C), a group of more than 170 organisations, including IBM, Microsoft, Keio University in Japan and the MIT Laboratory for Computer Science in Massachusetts, announced the Web Accessibility Initiative.

"W3C is committed to removing accessibility barriers for all people with disabilities," says Tim Berners-Lee, W3C's director and the inventor of the world wide web.

W3C is working with a wide range of groups, including governments, web developers, content providers and organisations that represent people with disabilities. It also aims to develop features such as descriptive video and enhanced captioning, which can be written in the computer language used to compose web pages.

W3C is also setting up a global programme office with funding from the US government, European Commission and others. "It will lead an international education effort, which will raise awareness of the issues of disabilities and offer guidelines on web design," says Jim Miller of the MIT.

Mr Miller adds that the education programme should be in operation by spring 1998. "We want people to be aware of the problems and then use the tools to fix them," he says.

Some companies are responding to the challenge. In Germany, Siemens Nixdorf and Bertelsmann have developed Cityweb Plus, a web site designed for blind and visually impaired people. It includes a braille display that sits under the keyboard and a text-to-speech facility.

Timeless skill of a talent to enchant

There are those who would have us believe, apropos *Sensation* and all its works, that painting and sculpture as we knew and loved them are now dead. So they well may be, but appearances are notoriously deceptive and there still seems to be a lot of both of them about, much of it still quite lively, sprightly even. Photography, of course, was supposed to have killed them off 160 years ago, and it will take more than a few Young British Artists to do it now.

The point is that the work of an artist, any artist, even a Young British Artist, is to be taken not for what it represents in terms of current critical orthodoxy or art-school fashion, but on its merits. And should we hear those dread words, "cutting-edge" or "relevance", the trick is only to turn up the collar and turn away. Even *Sensation* was not so complete in its awfulness, nor so devoid of merit as its more hysterical and credulous detractors would have had us suppose. In the meantime other artists of all kinds get on with their work and try to get it right, just as they always have.

Glenys Barton is at once a ceramist who makes sculpture and a sculptor whose medium is clay fired and glazed, making a nonsense of the prejudicial division which has for far too long kept the fine arts and crafts apart. The craft lies in the disciplined command of medium, process and material, the constraints and uncertainties of bodies, glazes, firings: and the art comes with the formal liberation and imaginative freedom that are born of such acceptance and control. It is a paradox universal to art.

Disciplined command and imaginative freedom: 'Amanda I', 1994, ceramic by Glenys Barton

This small show at the National Portrait Gallery (which has a companion show at Manchester) is in sort a retrospective that brings us from the first ceramic heads Barton made in the early 1980s to the increasingly adventurous and particular portrait busts she makes today. All indeed are portraits, but the earlier are the simpler, closer to the obviously idealised and symbolic heads she has continued to make. And from that early simplicity of the basic skull, she has been pushing the form to the limits of recognition, squeezing and flattening it, breaking it up, opening it out.

And as the form has approached the condition of relief, albeit a relief that one can walk around, so she has resorted to a more graphic description of her subject, modelling the clay more fully, scoring and cutting the surface almost as though at times she were drawing upon the body of the clay. There is a sense of constant formal and practical experiment and test within these deceptively literal representations. How to make the hands and fingers work is now the problem: now it is that of spectacles, still to be resolved: how do full-face and profile come together, the round implicit in the flat. By her endless self-questioning Barton gives us these fascinating, at times enchanting things.

By chance, the National Portrait Gallery's recent bronze head of Douglas Hurd, our last foreign secretary but one, by William Pye stands just outside the Glenys Barton display. It is, perhaps, oddly symptomatic of the times that the only recent and substantial work of Pye's in any of our major national collections should be, excellent as it is, this piece of conventional figurative modelling, once the staple of a sculptor's training but long-since abandoned. For Pye is a prolific abstract sculptor whose work has been commissioned for public sites not just in London but all over the world.

Since the early 1980s, he has been particularly intrigued by the use of water as a formal and active element in sculpture, not just as a fountain jet or spout, but as a material with its own peculiar physical qualities to be exploited. His are the streaming cones of stainless steel at Gatwick's North Terminal; his the wall of water that cooled the British Pavilion at the Seville Expo of '92. He has long wanted to make play with the principle of the Archimedes Screw, and now the London Docklands Development Corporation, which has an admirable record in the commissioning of contemporary sculpture, has given him the chance to give it a particularly elegant demonstration.

Yet his *Archimedes* is in a way not just a new piece, but an encapsulation of almost his entire career, incorporating as it does several of his long-time formal interests as an sculptor, quite apart from water – the highly-polished reflective surface; the curling welded industrial tube; the simple geometric figure; the mechanical moving part. Here his hollow, inclined, serpent-like screw rises from the surface of the dock, turning slowly and deliberately as it gulps the water in at its lower end to spill generously over the immaculate silver cone below its upper orifice. It may not be cutting edge. It may not address the issues of the day. It works beautifully.

William Packer

Glenys Barton – Portraits: National Portrait Gallery, St Martin's Place WC2, until January 11; also at Manchester City Art Gallery until October 26. William Pye – *Archimedes:* West India Dock, London E14; permanent installation, commissioned by the London Docklands Development Corporation.

Ballet/**Clement Crisp**

Dance for the people

Is this a theatre", whispered Smike, in amazement. "I thought it was a blaze of light and finery". Though I am not proposing *Nicholas Nickleby* as a prophetic book, poor Smike might have been looking at the auditorium of Labatt's Apollo in Hammersmith, the first stop on the Royal Ballet's two years existence as a gypsy troupe.

The *ci-devant* Hammersmith Odeon is an architectural nonsense, its auditorium a pastry-cook's idea of Art Deco, its foyer replete with glittering pendant balls, piped classic Muzak and a decorative scheme whose chief colour seems to be unattractive raspberry-sorbet. The building also offers an unrivalled view of London's traffic which roars past at street and (thanks to the flyover,) sky level; and the lighting inside the theatre is based upon the 40-watt bulb principal. But, and it is a significant but, the stage is cinemascope-broad, well-suited to ballet and nearly deep enough for *Romeo and Juliet*, which was last week's opening production. The auditorium holds 3,500 people, and such hangovers from the past as ice-cream girls blocking the aisles can easily be remedied.

We can deplore the ineptitudes and prolonged indecisions at board level which have forced the Royal Ballet and the Royal Opera into two homeless years, as we can decry the government policies which starve our greatest artistic enterprises of proper funds. We cannot, though, bemoan the Royal Ballet's present situation. For 50 years this century's dance audience was built and fed by itinerant Ballets Russes companies whose dancing was their all-sufficing life. In the 1950s, the Royal Ballet toured massively through America, in quest of dollars for Covent Garden (Nadia Nerina recalls an early tour when she danced 150 performances from a total of 155. She was none the worse for it, and the company was a true ensemble). The good that can come out of the present Royal Ballet schedule is an increased number of performances to bring increased chances to dancers, a repertory that moves beyond the predictable, a contact with a new public who may learn that our best ballet ensemble is alive and well and dancing admirably. (But starve it of proper funding during this time and the two years are a dead loss). Then, as the Royal Opera House reopens, we may find again what has been lacking for the past decades because of grotesque seat-prices – that devoted ballet audience which encouraged the Royal Ballet to greatness for many years.

The Hammersmith audience seemed delighted with what they saw and heard. Rightly so. The score under Viktor Fedotov found much of the pungency and grit that underlie Prokofiev's music, which paints no romantic view of Verona. The company was bright-footed, dramatically alert. Nearly all Georgiadis' sets were there: I am told there is much more space back-stage that might be used.

The performance was led by Sylvie Guillem and Jonathan Cope. Guillem shows us an unclouded child at the ballet's start, transparent in feeling, deliciously enjoying the game of growing up, and not fully caught up by sexual passion until the end of the balcony duet. Everything is understood, played with minutest care, and we believe. Breathtaking the moment when maturity really shows: running to the window for the last time as she is battered by her parent's demands, she turns – a rare and beautiful creature at bay – and faces them. Then resolve crumbles, and the tragedy takes it course.

I thought it a uniquely truthful moment. Guillem would not be Guillem if there were not moments when Guillem takes over from the remarkable interpretative artist she is, and the leg flies up and line and character are sacrificed to the name-badge ("Je m'appelle Sylvie"). But it is a fine, powerful reading, danced with exultant power, and Jonathan Cope is a brave and attentive partner, rightly drawn along by his Juliet's passion. Other roles were decently taken, and I admire Christopher Saunders' Tybalt, less stagey than some, more honest, and hence more menacing.

Opera/**William Weaver**

Met raids the cupboard

The inaugural *Carmen* that President and Mrs Clinton attended at the Metropolitan Opera last week was not a new production, but a revival of the Franco Zeffirelli staging presented last season. The Clintons did not seem to mind, but some of New York's assiduous operagoers were perhaps less than happy, for when it opened this *Carmen* was much criticised.

Even now, after it has been discreetly revised, the production seems fussy, sometimes perverse, and a bit foolish; the busy activity of the supers and chorus obscures the drama of the principals and, while the dumb-show was clearly rehearsed with great care, the main actors were left to their own devices. Thus in the first act, while Micaela is being teased by the soldiers at stage left, there is a complex scene in mime, between a rug-vendor and a client at stage right, inevitably claiming the spectator's attention.

The chief interest in the performance was the new interpreter of the title role: Denyce Graves. She was warmly hailed by both audience and press, but to anyone familiar with her performances as Carmen in Europe, she seemed a little tame, perhaps cowed. She sang well, but without that edge of healthy sensuality that used to vivify her reading of the part. She may have been affected by the stiffness of Placido Domingo, who for the first half of the opera was on automatic pilot. There was a chilling sobriety about the conducting of Yves Abel, studied, always correct, at times (the smugglers' ensemble) almost dainty. In short, a *Carmen* without much fire.

The next two operas in the Met's opening week were also revivals: the Jean Pierre-Ponnelle *Manon* from 1987 and the *Ariadne auf Naxos* staged by Elijah Moshinsky in 1992. Julius Rudel gave vigour and pace to the Massenet, and in the title role Renée Fleming, volatile and irresistible, confirmed her starry position at the Met. In the Saint Sulpice scene, with the romantic Marcello Giordani as her des Grieux, she seduced not only the young cleric but the audience. Despite some excesses of alternating busy-ness and stylisation, Ponnelle's production is still effective – though Manon's death on a rubbish tip is hard to take.

When it was new, Moshinsky's *Ariadne* (sets and costumes by Michael Yeargan) came in for its share of criticism, and the second half remains a disappointment; but it is hard to harbour negative thoughts in the presence of a trio like Susanne Mentzer, a Composer of exciting intensity and sweet vulnerability, Natalie Dessay, a perky, electric, perfectly tuned Zerbinetta, and Deborah Voigt, an artist who has developed splendidly and is now a radiant, triumphant Ariadne. Though her imposing figure does not allow easy movement, Voigt – like Callas in her early days – knows how to make the simple, telling gesture and how to widen her eyes or cock her head to precisely-aimed effect. And at the helm, James Levine brought out all the richness and subtlety and wisdom of the sumptuous score.

Saving its new treats for winter, the Met has dipped into its cupboard for its opening weeks. There have been rough patches, to be sure; but what other opera house could put on seven shows a week at this level?

Concert/**David Murray**

Vigil without a cause

James MacMillan's new "Symphony *Vigil*", premiered on Sunday by the London Symphony under Rostropovich, took more than 50 minutes to go by. It left little trace. Respighi without the tunes; except that Respighi's flashy Roman suites, unlike MacMillan's, attach their effects to simple, honest symphonic structures.

From the start, *Vigil* – which is meant to have something to do with Easter, like the two previous MacMillan pieces with which it forms a triptych – is chock-a-block with effects that lack causes. It begins with portentous, interminably extended rumblings in the bass, and progresses to menacing thwacks from the percussion. Not just timpani and bass drum, but giant hammer-blows out of Mahler's 6th: here, however, not the outcome of anything in the music, but intended to batter us into believing that something momentous is happening.

One effect crowds upon the heels of another. Those that are "effective" are not new: upward sweeps of piano-chords *à la* Messiaen, ethereal strings and harp as for Brünnhilde's awakening, an "evocative" *cor anglais* out of *Tristan*. Those that are new – curious instrumental combinations – are thin and ineffectual, and certainly lack *Affekt*.

There are frequent allusions to Roman chant, probably inspired by MacMillan's studies with Max Davies, but they neither grow into the score nor out of it. Despite MacMillan's programme-note claim to "development", they remain just passing theatrical effects, even when juxtaposed or overlapping – a mere pretence of musical structure. By the end, so much else is rudely juxtaposed (furious clashes of bells, unbridled percussion, routinely "celestial" celesta and glockenspiel) that it all becomes meaningless: devoutly overweening bluster without sense.

For the second half of the concert, it was unkind of the LSO to choose some *music*. It was only Tchaikovsky's violin concerto, an always-disarming piece that counts somewhere between his ballet music and his symphonies and piano concerti; but we had Maxim Vengerov to play it. Enough said, just about: young Vengerov is not only a deep-dyed Russian, but a phenomenal virtuoso. Rostropovich strove eagerly to keep the orchestra up with him, though in several excited *accelerandi* he didn't quite manage it.

That may have been a refined courtesy. It flatters a soloist to let him seem to be leading the pack, surging ahead of everybody else (though by the top of each surge, satisfyingly, Rostropovich always *did* catch up). But Vengerov had much more to offer. Almost "Mozartean" playing in the first movement, delicately introspective where we are used to expect broad, swinging delivery; and an exquisitely tender *Lied*-style for the Canzonetta, with extrovert thrust reserved for the Finale.

Even there Vengerov exploited a sappy new idea, lurching into its second subject each time like a lusty drunk's riposte to the first. He is still only 23: but his concert-canniness is more than equal to almost anybody's, his virtuosity *sans pareil*, and on present evidence he seems to be going nowhere but up.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Moving Target: by Frédéric Flamand. Performed by Charleroi/Danses-Plan K; Sep 30; Oct 1

OPERA
Het Muziektheater
Tel: 31-20-551 8911
La Traviata: by Verdi. Netherlands Opera revival of a staging by Alfred Kirchner, conducted by Ralf Weikert; Oct 4

■ BASLE

EXHIBITIONS
Offentliche Kunstammlung Basel Tel: 41-61-271 0828
Peter and Samuel Birmann – Artists, Collectors and Dealers; at the Kunstmuseum; to Jan 11

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Zoltán Peskó in works by Schubert and Bruckner; Oct 3

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in chamber music by by Hindemith, with soloists Kolja Blacher and Wolfram Christ, and Beethoven's Symphony No. 6 in F; Oct 1, 2, 3

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: programme of two works by MacMillan – Concerto and Das Lied von der Erde; Oct 2

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Sep 30
● Madame Butterfly: by Puccini. Staged by Pier Luigi Samaritani; Oct 4
● Tannhäuser: by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 3

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Sigmar Polke: subtitled "The Three Lies of Painting" this show includes some 180 loans and documents Polke's work from 1962 to the present; to Oct 12

■ BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
Otello: by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Oct 1

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
● Nabucco: by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Oct 4
● Peter Grimes: by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 3

■ COPENHAGEN

EXHIBITIONS
Frederiksborg Castle
Tel: 45-42-260439
Four Hundred Years of Scottish Portraits: second half of an exchange organised with the Scottish National Portrait Gallery which saw an exhibition of Danish portraiture in Edinburgh during this summer's festival. Now 100 paintings and photographs by Scottish artists including Raeburn are on show in Frederiksborg Castle, 30km from Copenhagen; to Nov 2

■ LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Richard Hickox in a programme of works by Vaughan Williams. With soprano Rosa Mannion, tenor Thomas Randle and the London Symphony Chorus; Oct 2

Royal Festival Hall
Tel: 44-171-928 8800
World Piano Competition: afternoon and evening recitals by competitors in the Purcell Room, Sep 28 to Oct 5. The Grand Final is on Oct 7, with the Philharmonia Orchestra conducted by Alexander Sanderling, in the Festival Hall; to Oct 7

DANCE
Labatt's Apollo, Hammersmith
Tel: 44-171-416 6082
The Royal Ballet: Romeo and Juliet. New season opens with Kenneth MacMillan's first full-length ballet, set to Prokofiev's score; Sep 30; Oct 1, 2, 3, 4

OPERA
Barbican Theatre
Tel: 44-171-638 8891
● The Royal Opera: Platée, by Rameau. New production directed and choreographed by Mark Morris, conducted by Nicholas McGegan; Sep 30; Oct 3
● The Royal Opera: Giulio Cesare, by Handel. New production, directed by Lindsay Posner and conducted by Ivor Bolton, with designs by Joanna Parker. Cast includes Amanda Roocroft and Ann Murray; Oct 1
● The Royal Opera: The Turn of the Screw, by Britten. Colin Davis conducts a new production directed by Deborah Warner. Cast includes Ian Bostridge; Oct 2, 4

THEATRE
National Theatre
Tel: 44-171-928 2252
Les Fausses Confidences: by Marivaux (1737). The Comédie-Française visits the National Theatre for the first time; Lyttelton Theatre; six performances only; from Sep 30

■ MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Prague Chamber Orchestra: in works by Mozart, with baritone Thomas Quasthoff; Sep 30

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett: Swan Lake. Sets and costumes are by John Macfarlane; Oct 2

EXHIBITIONS
Kunsthalle der Hypo-Kulturstiftung
Tel: 49-89-224 412
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam; to Jan 11

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Aida: by Verdi. Conducted by Roberto Abbado and directed by David Pountney, with sets by Robert Israel; Oct 3
● Le Nozze de Figaro: by Mozart. Conducted by Peter Schneider in a staging by Dieter Dorn. Cast includes Amanda Roocroft and Alison Hagley; Sep 30; Oct 4
● Peter Grimes: by Britten. Conducted by Jun Märkl in a production directed by Tim Albery. The title role is sung by Philip Langridge; Oct 1

■ NEW YORK

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Ariadne auf Naxos: by Strauss. Revival of a staging by Elijah Moshinsky; Oct 2
● Carmen: by Bizet. Revival of a production by Franco Zeffirelli; Sep 30; Oct 3
● Manon: by Massenet. Revival of a staging by Jean-Pierre Ponnelle; Oct 1, 4

■ PARIS

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Le Nozze di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler. Cast includes Anthony Michaels-Moore and Barbara Bonney; Sep 30; Oct 2
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Georges Prêtre until Oct 13, when Fabio Luisi takes over; Oct 1, 4

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Pelléas et Mélisande: by Debussy. Conducted by James Conlon in a staging by Robert Wilson. Cast includes Dawn Upshaw; Oct 3

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Martin Wolf

No, prime minister

The level of sterling and the UK's cyclical position mean it would be suicidal for Tony Blair to take Britain into Emu in the first wave

Whether and when to join European economic and monetary union are by far the most important questions facing the British government. It is not just whether it would be wise to risk joining this irrevocable monetary marriage. The question has as much to do with when it would be wise to do so.

Everything suggests Emu will begin, on time, at the start of 1999. Moreover, it is likely to include 11 countries. That is every EU member except Greece, which will not qualify, and Denmark, Sweden and the UK, which are unlikely to choose to join then.

In its latest *World Economic Outlook*, the International Monetary Fund forecasts the 1997 general government fiscal deficits of all EU member states – except Germany, France, Italy and Greece – at or below the Maastricht treaty target of 3 per cent of gross domestic product. But Germany's will only be 3.1 per cent and those of France and Italy 3.2 per cent. Effectively, all members, Greece apart, meet the deficit criterion.

The IMF also calculates that all members, except Greece, have cyclically adjusted fiscal deficits of well under 3 per cent of GDP, most of them below 2 per cent. The UK's actual deficit is forecast at 2 per cent. As growth proceeds, deficits elsewhere should converge on cyclically adjusted deficits, making even the 1 per cent deficit target in the growth and stability pact attainable.

Against this background, the two big obstacles to a single currency – French unwillingness to undertake further fiscal austerity and German reluctance to embrace a broad Emu – are almost irrelevant. The new government of Mr Lionel Jospin does not need to impose much austerity. German politicians may huff and puff over Italian membership. But the technocrats in the European Commission and the European Monetary Institute will surely conclude that all members – again with the exception of Greece – have met the criteria. A German refusal to join would be tantamount to an act of war on European integration. It is not going to happen.

As this reality dawns, the British government is rightly debating how to respond. Tony Blair must be asking whether to exercise his option of trying to join in the first wave, at the beginning of 1999. The answer he should be given is: "No, prime minister."

Business opinion is moving in favour of joining as soon as possible. The fiercest opponents are the tattered remnants of the Tory party. Never is the political background likely to be more favourable, Mr Blair may reasonably conclude. Unfortunately for his ambitions, the economic background is just the opposite.

If Mr Blair tries to put sterling into Emu in 1999, things will almost certainly go seriously wrong. There are two linked reasons: the currency's level and the UK's cyclical position. Together, they make entry in 1999 suicidal.

All measures of the real exchange rate suggest sterling is overvalued. The International Monetary Fund, for example, offers a measure of relative unit labour costs adjusted for the state of the economic cycle. At the end of July 1997, UK relative labour costs were higher than at any time since late 1983.

Between July and the end of last week, sterling's trade-weighted nominal exchange rate depreciated 2 per cent. But this is not enough to change the picture. Merely to bring relative costs to the middle of the range in which they have moved since the end of the extraordinary appreciation of 1979-1982, sterling's nominal effective exchange rate needs to fall about 10 per cent.

Given long-standing weaknesses in the production of tradeable goods and services, such a depreciation is the least one should hope for. A depreciation of 15 per cent would be safer. If the exchange rates of the UK's trading partners were to remain stable, this would imply a rate against the D-Mark of DM2.40. To lock sterling in at a rate very much higher than this would be quite mad.

There is more. At present UK short-term interest rates are 4 percentage points higher than in Germany. This reflects the very different position in the economic cycle.

In the UK, broad money is growing at an annual rate of close to 12 per cent, against 6 per cent in Germany. National estimates of unemployment in August are 5.3 per cent for the UK and 11.6 per cent for Germany. The UK's economy is expected to have expanded at a rate of 2.9 per cent a year between 1992 and 1997 and Germany's at only about 1.5 per cent. UK consumer price inflation is above Germany's, in spite of the 20 per cent effective appreciation of sterling since early 1996.

Against this background, stabilisation of UK inflation will demand short-term interest rates well above those in most of Europe's core for a substantial period. Suppose then that rates started to fall in anticipation of entry into Emu next year. This might bring sterling down. But it would also stimulate a credit-driven surge in domestic demand.

The combination of an initial sterling depreciation with lower interest rates and faster growth in domestic demand is likely to push underlying inflation well above its 2½ per cent target for some years.

Suppose, for example, that inflation were to be a little over 3 percentage points higher than in the European core for three years, or 2 percentage points higher for five. Either would mean a real appreciation of roughly 10 per cent. Even an entry rate of DM2.50 would, within a few years, leave the UK as uncompetitive as it is today. The classic way to claw back such a real appreciation is a squeeze on the profitability of industries producing tradable goods and services. This would lead to a fall in their output and distort the structure of the economy. But it would also ultimately produce lower inflation. An extremely tough fiscal policy would help. But remember that annual inflation in the euro area is likely to be around 2 per cent. The UK would need five years of zero inflation to recover a real overvaluation of 10 per cent if its productivity growth were the same as in other member countries.

Elsewhere, perhaps, political commitment to European integration might allow a government to survive such a long period of decline in manufacturing and semi-stagnation in the economy. In the UK, it would be a recipe for a nationalist upsurge against the EU. A government that put the country in such a mess would be doomed.

Whatever Mr Blair might prefer, entry in 1999 is out of the question. But tight monetary and fiscal policy could perhaps make it possible by 2002. This date would have the advantage of coinciding with introduction of the new notes and coins. Should the early period of Emu be as turbulent and unstable as some fear, the UK could avoid it.

The option of joining cannot safely be exercised next year. But that of later entry must be kept open. Whether it makes sense to risk a referendum on an option that will not be exercised for some years is a tactical matter. The timing of entry, however, is not tactical, but fundamental.

Some wonder whether the time will ever be ripe to join Emu: what is certain is that it is not ripe now.

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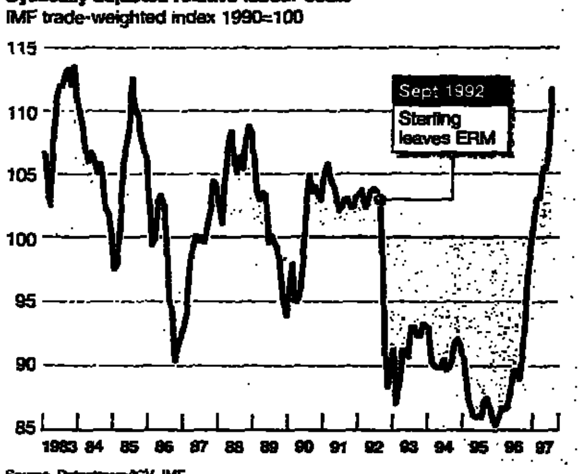
The ups and downs of UK competitiveness

Cyclically adjusted relative labour costs
IMF trade-weighted index 1990=100



Source: Datastream/ICV, IMF

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Cause of food safety not helped by disregarding science

From Mr Mark Cantley.

Sir, There is much which any consumer would agree with in the letter (September 26) from Sheila McKechnie, director of the UK Consumers' Association, concerning the loss of trust in the institutions responsible for ensuring food safety, and the need for transparency and freedom from dominance by special interests. But her strictures on your editorial ("Food safety", September 22) are too harsh.

You rightly criticise as dangerous the disregard of scientific evidence in order to pacify critics. Such disregard, and the diversion of scarce resources and energies from real problems to simplistic bans and witch-hunting genetically modified foods, have more to do with circuses than with bread. Since plant and animal breeders have been modifying our foods for centuries by classical methods, the advent of more precise tools does not itself offer justification for technology-specific regulation duplicative of existing controls. No controls will give 100 per cent security – for example, against a novel phenomenon such as BSE – but still less will a flight from science.

Noisy demands to "do something" can push politicians into activities whose nearest parallel is the behaviour of the drunkard who, having lost his watch at the dark end of the street, looks for it under the street-light, because of the greater visibility. That worries me. Where I strongly agree with Ms McKechnie is on the value of a competent and independent food standards agency. In the US, public trust in the Food and Drug Administration, and the FDA's commitment to good science, have protected the consumer and facilitated innovation; it is bizarre that the European (and some national) authorities are now devoting so much energy to battling against those judgments.

Mark Cantley,
131 rue Verbist,
B-1030 Brussels,
Belgium

Brussels' arrogance over duty-free

From Dr Manfred Körner.

Sir, The statement by Mario Monti, the European single market commissioner, regarding the ending of duty-free sales is typical of Brussels' high-handed bureaucratic thinking ("Brussels confirms end of duty-free", September 25). However, political decisions should be reversible in the light of new facts. With more than 20m Europeans being actually without a job it makes no sense to render another 100,000 or so jobless just to worship a bloodless principle of a fake internal market.

In 1979, the then acting EC Commissioner had the guts to vote for duty-free to continue as long as there was no substantial harmonisation of taxes within the Union. To date, this has not been achieved. On the Baltic Sea coast there is virtually no alternative to the duty-free tourism. The livelihood of a whole region is threatened. But Brussels arrogantly declares that a long-enough time span has been granted to prepare for the end of duty-free sales. This is not the kind of European Union we wish to materialise.

The German Bundestag, in contrast, took notice of the people's fears when voting for a continuation of duty-free beyond 1999. Other European parliaments should follow.

Manfred Körner,
Gazellenkamp 40,
D-22529 Hamburg,
Germany

Put a better balance back in FTSE

From Mr H.G. Cullen.

Sir, The FTSE 100 Index used to be a useful measuring tool. This year large new financial companies have joined the market and financial companies in general have out-performed the whole market by an amount that has led to a significant distortion of the FTSE 100. Similar distortions could happen if financial institutions under-perform the market. These effects have reduced the value of the FTSE as a measure of anything except banks and their like.

I would suggest that a separate "Financial Services Index" should be created – and perhaps it could be called a FTSEFS or FOOTSEFS! The FTSE 100 would then represent the 100 largest non-financial services companies and it might then regain some of its usefulness.

H.G. Cullen,
Caer-y-Glyn,
Gwbert Road,
Cardigan,
Cardiganshire, UK

The FT Interview · David Komansky

Still thundering

The chief of Merrill Lynch tells **Tracy Corrigan** how he plans to fend off challengers

When David Komansky took the helm of Merrill Lynch in January, the firm looked almost invincible. Not only was it the biggest quoted securities firm in the US, but it was also the only retail brokerage to have built a successful global investment banking franchise from scratch.

Mr Komansky, who became chief executive officer in January and chairman in April, says he often teases Dan Tully, his predecessor, for "bailing out on me at the very top and leaving me with only one way to go". Like most jokes, this one has an element of truth.

Since January, the pace of consolidation in the US investment banking industry has accelerated. There have been two mega-mergers: Dean Witter, Discover's $10.4bn purchase of Morgan Stanley in February and last week's $9bn acquisition of Salomon by Travelers Group. The logic of both deals can be summed up in two words: Merrill Lynch. Both mergers are an attempt to match Merrill's firepower by welding together an investment banking business (Morgan Stanley, Salomon) and a national retail distribution network (Dean Witter, Travelers' Smith Barney).

If the deals are a vindication of Merrill's strategy, they are also a threat. According to Merrill's rivals, its bankers boasted of the firm's access to retail investors when making presentations to corporate clients. Merrill's strength has also been closely linked to its size: it is known on Wall Street as the thundering herd. But suddenly, Merrill, which underwrites more securities than any other, does not look such an overwhelming force. Its market value is below $25bn, against Morgan Stanley, Dean Witter's $33bn.

Mr Komansky is unshaken. Consolidation is "something we have expected for a long time. It's one of the reasons that we were so motivated to acquire Smith New Court [in the UK]." The industry is "just beginning a good five years of intense consolidation".

The importance of coupling investment banking and retail distribution has "always been in the execution of that capability", he says. "It has taken us 50 years to learn how to do it. It is more difficult than it would appear." This observation is borne out by the failure of other efforts, such as the 1980s amalgamation of Shearson and Lehman Brothers.

Faced with such would-be challengers, Mr Komansky sees his task as finding growth in spite of the constraints of a mature domestic market. The answer is a further shift in focus towards opportunities outside the US.

"We think we are in a dynamic growth business around the world: and I stress around the world." The firm operates in more than 40 countries, he notes, and earns over 30 per cent of its revenues overseas.

In international private banking, which handles the accounts of wealthy individuals, he believes many countries are undergoing changes – such as the development of private pension funds – that will favour Merrill. "Citibank, JP Morgan, and the Swiss banks, in certain parts of the world, have a clear significant lead on us right now. Our strategic objective is to reach at least the number two position [in the next five years]," he says. The formula for developing such business will have to be country-specific, he says.

The second main target is the firm's mutual fund business. "We are obviously a very significant player, but we think we can become maybe three times the size we are today. And most of that growth would come from outside the US," he predicts.

There is a snag: outside the US, Merrill does not have retail brokers to sell mutual funds. Instead, Mr Komansky believes they could be distributed through joint ventures and strategic alliances. "In Japan, I can't see us trying to build or replicate a distribution system, but there are financial distribution systems that might well welcome some kind of alliance with Merrill Lynch," he says. "We are exploring opportunities in various parts of the world as we speak."

Ironically, Mr Komansky, who appears poised to make Merrill more global than ever, has never worked outside the US. Like every previous head of the firm, he developed his career on the brokerage side, and did not go near the institutional side of the business until 1990.

His background as a broker can still be felt in his upfront manner. He readily admits, for example, that Merrill is both on the lookout for acquisitions and a potential target. "I doubt if there is an acquirer in the world that has not had us on the radar screen from day one," he says bluntly. There are, he points out, only a "limited number with the financial wherewithal".

He says a hostile bid for Merrill is "not practical" but believes the "big banks are interested in us". He describes the constraints of the US regulatory system as "onerous and unfair", saying he resents the fact that Chase, the biggest US bank by assets, can compete in the securities industry while Merrill cannot compete in Chase's core market. Merrill is "very interested in the asset-gathering side of banking", he says.

Merrill also has an eye for potential acquisitions "anywhere that it would fill a strategic gap for us", he says. "We'd love to make an acquisition in Asia that would bring us wide-ranging distribution there, but such an animal doesn't exist. I think it is probably likely that what we will be able to accomplish is a string of [country by country] acquisitions." Merrill would also like to buy more asset management but prices are "probably beyond the pale".

In the the meantime, Mr Komansky is not hanging about. "Neither I nor, I hope, the organisation think much about the past," he says. "The business is so dynamic, so challenging and changing that whatever existed five minutes ago is history. We have to focus on tomorrow."

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday September 30 1997

The choice for the Fed

These should be glory days for US economic policymakers. As the American economy continues to steam ahead without a sign of inflationary pressure, the architects of the Federal Reserve's monetary policy could be forgiven a little self-congratulation. They and their chairman, Alan Greenspan, have contributed significantly to the current benign state.

But when Mr Greenspan and the members of the Fed's open market committee meet today for their latest review of policy, they will face some very difficult choices. The cost to the American economy of getting them wrong could be high.

After 6½ years of expansion, the pace of growth has clearly stepped up a gear or two. Gross domestic product in the last 18 months has grown at a rate of more than 3.5 per cent, up from a steady pace of 2.2 per cent for the previous five years. There is no obvious sign that the pace is now set to slow. Consumers, buoyed by rising real incomes for the first time in a decade and a stock market that continues to soar, are poised to go on spending. Business confidence is high, and investment is rising at double-digit percentage rates.

The strong demand has had predictable effects on the labour market – unemployment is now down to 4.8 per cent, its lowest level for 25 years. Yet still inflation lies dormant, with barely perceptible upward movements in employees' wages and benefits, and no sign at all of a rise in producer or consumer prices.

According to some theorists, the US is reaping the benefits of a new era, produced by rapid improvements in technology, globalisation and deregulation. Mr Greenspan has considered the possibility that something radical may have changed, but he has been careful to say that he does not intend to base monetary policy on that presumption.

Why, then, has the Fed not struck more forcefully to preempt inflation? It raised short-term rates by just ¼ percentage point six months ago to ward off inflation risks. Since then, growth has continued at more or less the same pace, yet the Fed done nothing. Critics say that the central bank has gone soft, fearing a political backlash if it ends the good times. The Fed, they claim, has moved from a pre-emptive to a reactive stance, jeopardising the very low inflation environment it has done so much to create.

But even if the new era theories are over-optimistic, a good case can be made that the Fed has been right to stay its hand in the last six months. As Mr Greenspan has argued, the US may not be in the middle of a revolutionary change to a permanently higher level of sustainable growth. But several fortuitous short-term factors *have* changed the immediate outlook. Greater insecurity among workers that has softened pay demands, a temporary downward shock to healthcare costs, even the strong dollar, may all have helped to control inflation.

In such unusual, but probably short-lived circumstances, a policy of raising interest rates pre-emptively would have curbed growth more than now appears necessary. Instead, the Fed has pursued the appropriate policy – tolerant vigilance.

However, if the US economy keeps growing at the present pace, the latter quality will be severely tested.

True and unfair

Perhaps Singaporean ministers will scale back their use of the courts to pursue opposition politicians after the latest libel case. Prime minister Goh Chok Tong won his suit against the veteran opposition politician Joshua Jeyaretnam, but the judge gave him only a tenth of the damages he was seeking. This was a clearly a reluctant verdict in a case that should never have been brought.

No one should presume to doubt the propriety of Singapore's legal process, but there are two sides to every case. In this one, the defence weighed in with robust arguments, raising embarrassing questions about the political motivation of this and other trials.

It also contended that the plaintiffs had a much larger role in spreading the defamation than Mr Jeyaretnam himself. He merely brought to public attention a complaint to the police by another opposition politician about the tactics of the government in last year's elections. The plaintiffs themselves revealed the content of that complaint, thereby – the defence claimed – spreading the defamation.

This was a weak suit against a harmless and elderly politician whose socialist ideals are those of yesteryear. Mr Jeyaretnam was no threat to anybody. But he was forced to lay on a spirited defence in a case which made Mr Goh and the other plaintiffs look vindictive and petulant. Mr Goh won, but Singapore's standing is tarnished, as are the considerable social and economic achievements of his government.

Total test

The decision by Total, the French oil company, to go ahead with a $2bn investment in Iran's potentially huge gas deposits will put to the test Washington's until now largely theoretical resolve to impose US law on its allies.

The Iran and Libya Sanctions Act of 1996 took another extra-territorial step towards preventing other countries from doing business with regimes the US wishes to see isolated.

The European Union and US have so far managed to avoid confrontation on the issue, and on the Helms-Burton provisions to prevent investment in Cuba – both measures passed by the US congress in election years.

Until now the US has taken no action against a Canadian oil company investing in Iran's offshore fields, or against last year's multibillion dollar gas deal between Iran and Turkey. But Bill Clinton, the US president, will find it hard to resist acting against Total – because of the size of the investment and a long US history of skirmishing with France over both trade and foreign policy.

If that happens, the EU may respond by reviving its challenge to Helms-Burton in the World Trade Organisation. The US has already made clear it will not accept a WTO ruling on this issue, putting at risk the credibility of the world trading system. That would be to nobody's profit except possibly Iran's.

This is all very unfortunate. At the moment, the attitudes of most European governments and the US administration towards Iran are converging. The EU toughened its "critical dialogue" with Tehran, while Washington is examining whether it should try a bit more carrot with Iran.

This summer's election of President Mohammed Khatami – by a landslide against the candidate of the ruling theocrats – is a potential window of opportunity for a more consensual Western policy. One is badly needed: by virtue of its geographical position and natural resources, Iran cannot be wished away by a stroke of the legislative pen.

Any attempt to punish Total, moreover, is likely to prove futile. The French company last week disposed of the bulk of its in any case not especially profitable US oil business.

Total has carved something of a niche for itself in controversial countries (Iran, Libya, Burma, Nigeria), but its position in international law appears unexceptionable. It has, for example, refrained from going ahead with a big oil production deal with Iraq, because that country is under United Nations sanctions. Iran, by contrast, is subject only to US sanctions.

Mr Clinton is likely to find himself in a difficult position. He has some room for manoeuvre but the likelihood is that congress will pursue this as the test case for its Iran sanctions.

The US and EU are in negotiations to settle differences on trade sanctions by October 15. Given the gravity of the possible outcome, these talks should now be made a top priority.

But it is just as urgent for both sides to examine in parallel whether they can reach a common position on Iran, aimed at making the evolving Islamic revolutionary regime's access to capital and markets conditional on its international behaviour.

Red-blooded capitalism

French companies are becoming more Anglo-Saxon in their push to unlock shareholder value, says **David Owen**

A $5bn hostile takeover offer for a blue-blooded business empire by the son of a provincial forester; another fully fledged bid battle involving two of the country's leading retail groups; and a corporate results season crammed with good news.

Can this really be stuffy old France, a country where hostile bids have traditionally been rarer than bad meals and where growth in turnover, rather than earnings, has often been seen as the most important corporate virility symbol?

The flurry of corporate activity began at the start of the month when Promodès, the supermarket group, launched two takeover bids worth a total FFr28bn ($4.7bn) for its rivals Casino and Rallye. Hard on its heels came a FFr30bn hostile bid for Worms & Cie, a financial and industrial conglomerate, by Artemis, the holding company of François Pinault, the forester's son turned businessman.

Meanwhile, several of the biggest and best-known French companies have been reporting excellent first-half results: carmaker Renault, for example, caught many analysts on the hop when it registered a tenfold improvement in net profits.

Even seasoned observers may still be pinching themselves. The land of the *noyau dur* belatedly appears to be turning away from its own system of interlocking shareholdings and cosy behind-closed-doors agreements, instead developing an appetite for the red meat of Anglo Saxon-style capitalism.

Jean Gandois, head of the Patronat, the French employers' federation, refers to "a shift in French culture". He says: "The existence of takeover bids, and even unfriendly takeover bids, is [now] not considered abnormal. That was not the case 10 years ago."

What is driving this growing acceptance of alien concepts such as corporate raids and shareholder value? And will it prove to be a brief florescence, or is the change permanent?

Experts believe much of the groundwork for corporate France's increasingly healthy position has been laid by a discreet restructuring undertaken by many large companies over the past 10 to 15 years. In essence, this period has brought a steady diversification of French groups' sales and production bases away from their home market.

While the same trends are no doubt apparent elsewhere, the process seems better established in France than in some of its chief rivals.

"The French have been more active than the Germans in pushing direct investment overseas," says Ian Harnett, European strategist with NatWest Markets in London.

One consequence of this internationalisation, besides improving the access of French multinationals to fast-growing foreign markets, is that it has helped them gradually to bring down costs and improve productivity. They have, in effect, been able to bypass the onerous social regulations that make it difficult to downsize and improve efficiencies in France.

Lower costs have brought improved cashflow and profits. And, with once onerous debt-loads now paid down to – in most cases – easily manageable levels, this cash is available for investment or for distinctly Anglo-Saxon indulgences, such as higher dividend payments, share buybacks and the purchase of other companies.

Conditions for a blossoming of what French Socialists call "le capitalisme dur" – hard capitalism – have thus been falling into place over a longish period. But the shift in attitudes has been cemented by the arrival at the helm of a number of blue-chip French companies over the past three or four years of a new generation of managers eager to make their mark.

Elf Aquitaine, Générale des Eaux, Alcatel Alsthom, Pechiney, Total, Moulinex – all these industrial groups are run by relatively recently installed chairmen. They will be joined this week by Peugeot Citroën, where Jacques Calvet, a permanent fixture of Europe's motor industry, is handing over to Jean-Martin Folz after some 13 years.

The new heads of these companies are not necessarily young men, although Jean-Marie Messier of Générale des Eaux is only 40 and Moulinex's Pierre Blayau is 46. And most are still products of France's famous elite training system. But all have had a strong incentive to improve the performance of companies that they, in many cases, joined in periods of stagnation or crisis.

The methods most have chosen to perk up performance have been robust and aggressive. Alcatel Alsthom, Moulinex and Pechiney, the latter run by Jean-Pierre Rodier, have all taken large restructuring provisions in recent years. Alcatel's provision was so large that in 1995 it reported the largest loss in France's corporate history. All have now been rewarded with a substantial rebound in profitability and, in Mr Blayau's case, the appearance of George Soros, possibly the world's best-known speculator, on his shareholders' roster.

Mr Messier has been steadily, at times almost hyperactively, working away at transforming Générale des Eaux from an unwieldy conglomerate into an environmental services, communications and construction group with rather more focus. Philippe Jaffré of Elf has implemented a share buy-back policy and recently set a new profitability objective of a 13 per cent return on capital employed.

Many big companies have been busily unwinding cross-shareholdings and disposing of non-core assets: Alcatel's recent sale of Château Gruaud-Larose, its prestigious but utterly superfluous Médoc wine estate, is a good example. The fact that the first-half net profits of many groups – including Alcatel, Pechiney and Saint-Gobain, the glassmaker – were swollen by one-off items may therefore be interpreted, on balance, as another positive sign.

As the relative share performance of many of the companies managed by these men has improved, more power has been given to the French pioneers of more robust business practices such as Claude Bébéar of the insurance group Axa and LVMH's Bernard Arnault. At the same time, pressure has mounted on the "old-timers" of French business to adopt similar measures to pep up the performance of their own companies.

This probably explains the red-blooded management approach recently adopted by Renault's Louis Schweitzer, who brought the wrath of Belgium down on his own head through the closure of the car maker's Vilvoorde factory. This month Renault reported a more than tenfold improvement in interim net profits, though from the admittedly puny FFr158m a year ago.

Peer pressure may also have been a factor in the decision by Jean-René Fourtou's Rhône-Poulenc to transform itself from a chemicals group into a life sciences company by securing full ownership of its 68.3 per cent-owned US drugs arm and selling off part of its chemicals business.

A further factor encouraging managers to put more emphasis on shareholder value is the fast-growing participation of foreign institutional holdings in French companies. In the absence of big domestic private pension funds, it is not unusual for such investors to own 30-40 per cent of the shares of blue chip French companies.

Their intervention has had a telling impact on important decisions at a number of companies, notably the approval this summer of measures reinforcing the independence of Eramet, a mining group, from its state-owned majority shareholder. It has also, in a more general way, transformed senior management's attitudes towards the owners of their company's capital.

"Chairmen may not like it, but they respect that shareholders do exist and that you have to treat them as they expect to be treated," says one Paris-based investment banker. "That is really a major change; they are much more shareholder-oriented than they were even two years ago."

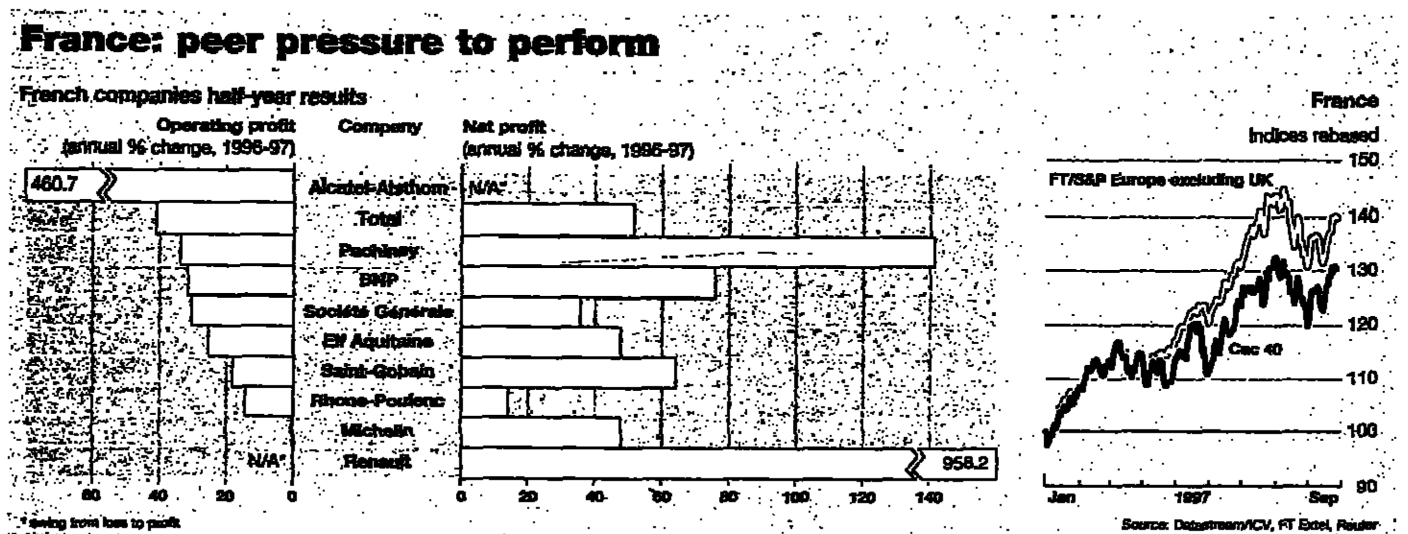
All in all, most now accept that the changed attitudes have become so entrenched it will be difficult to return the Anglo Saxon genie to the bottle. "People have realised there is absolutely no choice," says Ernest-Antoine Seillière, chairman of CGIP, a prominent French holding company. "We have to play the game that everyone is playing. Companies have definitively condemned the *exception française*."

Equally, it seems unlikely that the frenetic pace of recent weeks will be sustained. Notwithstanding the efforts of Mr Pinault to take over Worms, hostile bids in France have been, to date, largely confined to the retail sector. This industry is something of a special case, since big companies are, in effect, prevented by law from growing organically.

"I don't think the floodgates are going to be opened to hostile bids in France because the number of capitalists is limited," says Sylvain Hefes, Paris-based managing director of Goldman Sachs.

It is also possible that the country's leftwing government, which is nominally pledged to "refuse hard capitalism", might in time try to discourage a burst of takeover activity. This could become more likely if it were feared that uncontrolled takeovers might contribute to widespread layoffs and a worsening of France's serious unemployment problem.

The next test may come if and when there is a hostile offer from a foreign bidder for a well-known piece of France's patrimony. If the government allows the subsequent battle to run its natural course, then even the most sceptical conclude that France has indeed been converted to harsh, unsentimental Anglo-Saxon ways.



· O B S E R V E R ·

Welcome to Kabul

■ The Taliban Islamic militiamen who control most of Afghanistan have so many rules it's hard not to offend them. Yesterday European Commissioner for humanitarian aid Emma Bonino had to kick her heels in a police station yard for more than three hours after upsetting her Kalashnikov-toting hosts.

The chain-smoking Italian Eurocrat has been on the wrong side of the law before. She was imprisoned for three weeks after a then-illegal abortion in Italy in 1975, and was once arrested in the US for dishing out free needles to drug addicts in an anti-AIDS protest.

This time her status as the Taliban's highest-ranking guest since they took Kabul didn't protect her from being banged up – with 19 aides and journalists – for taking pictures of women, which is an offence under the Taliban's strict interpretation of the Sharia Islamic legal code.

The Taliban decided not to charge Bonino, which might be just as well as the European Union is the country's biggest aid donor. She said she'd been "very scared" and that the affair exposed the militia's "reign of terror". The head of the Taliban's detection section – who sounds like a busy chap – said the visitors' time in police cells would "convey to them that they cannot break the law".

Phone book

■ When the 180-page float prospectus for state telecoms operator Telstra thuds on to around 4m mats across Australia over the next few weeks, there will be few readers keener than Peter Howell-Davies, chief executive of Telstra's main rival Optus.

The former head of the UK's Mercury Communications will be hunting for useful information on Telstra to use as ammunition in the legal battle between the two companies – Optus has sued for a "ballpark" A$900m alleging abuse of dominant market position, and threatens more to come. He says a careful read might also help Optus – 49 per cent owned by the UK's Cable & Wireless, Mercury's parent – come up with a valuation for its own float, which has been postponed almost as many times as the company has had chief executives.

Australian-born Chris Anderson – a veteran of John Fairfax Holdings, the Australian Broadcasting Corporation and Television New Zealand – tomorrow takes over the reins at Optus and expects to take it to market within three years. Howell-Davies says he's still on secondment from C&W and plans to stay around Optus for a while, to help bring Anderson up to speed.

Gold front

■ It seems as if the gold salted away by the late Philippines dictator Ferdinand Marcos won't just be allowed to gather dust. Legal arguments over who owns the stuff – 1,241 tonnes are said to be stashed in Swiss banks with more in Manila – have lasted for years, and could keep lawyers arguing for a decade or two more.

But the issue surfaced suddenly yesterday, with the claim by Robert Swift, the US lawyer representing 10,000 victims of human rights abuses under the Marcos regime, that a high-ranking Philippine government official has been laundering proceeds from illegal sales of two tons of the gold.

The government is the main claimant to the shiny metal, and an organisation representing the human rights victims said yesterday it couldn't be trusted to look after it pending the outcome of the case. The Fidel Ramos administration has dismissed the claims as "hogwash" and wild speculation.

Shoe-collector Imelda Marcos says the late dictator never plundered the economy and the gold was his. She says he amassed a whopping – some would say incredible – 7,000 tons of it before he made it to the presidency. Not bad for someone claiming to be a provincial lawyer.

Runways closing

■ Now that the privatisation of Berlin's airport company is finally under way, it's goodbye to another brace of Cold War veterans – the airports of Tempelhof and Tegel. In 1948-49, when Stalin blockaded the western part of the city, the Allied airlift into US-controlled Tempelhof and French-run Tegel, along with the smaller Gatow airfield in the British sector, was the city's sole source of food and fuel.

Tempelhof and Tegel will be closed in 2002 and 2006 respectively when the new privately financed international airport opens at Schönefeld on the eastern fringes of the city. Residents near Tegel and, especially centrally-located Tempelhof will be looking forward to a quieter life. The city of Berlin, which will hold on to much of the land, will be getting some potentially lucrative vacant property in what will by then be Germany's capital city.

The Financial Times

100 years ago

His Imperial Majesty Prevents War With France

The "Gaulois" relates that in August, 1993, His Imperial Majesty, the Kaiser, prevented an outbreak of war between England and France. The Siamese trouble was the cause of the difficulty, and the august monarch was dining one evening with the Royal Yacht Club when the German ambassador informed him of the decision of the British Government to declare war on France. The Emperor jumped from his seat, flung his napkin on the chair, and sent Count Hatzfeldt off with a protest to Downing Street. We should like to think the story true, but we fear that the dramatic tableau in which the napkin played so important a part originated in the imagination of a Parisian humorist.

50 years ago

Save-The-Franc Move

Paris, 29th Sept. M. Ramadier, the French Premier, is expected to recall the National Assembly on 28th October – three weeks before it was scheduled to meet – to pass emergency "save the franc" measures, it was learned in well-informed circles to-day. Among measures expected is a reduction in the number of civil servants.

FINANCIAL TIMES
Tuesday September 30 1997

Prices set for Asian telecoms share issues

By Vincent Boland

Price ranges were set yesterday for two of Asia's biggest international share offerings, the flotation of China's main mobile telephone company and Australia's national operator.

Shares of China Telecom (Hong Kong) were priced to raise up to HK$26bn ($3.35bn). The privatisation of Telstra, which has a near-monopoly of Australian fixed-line services, could raise up to A$14.2bn ($10.20bn).

The two offerings, the largest ever from their respective countries, emerged on to a crowded telecommunications privatisation schedule. Governments hope to raise at least $30bn from selling stakes in telecoms companies in the next three months, taking advantage of generally buoyant stock markets and strong demand for new equity issues.

Asian telecoms issues are rarer than in Europe and strong demand is expected from domestic investors and regional fund managers.

Analysts agreed the demand was there, provided the issues were attractively priced. "If they are cheap enough, investors will switch out of other telecom stocks to buy the new issues," said Peter Chambers, chief investment strategist at HSBC James Capel in London.

Hong Kong-based investors have already bought just over 44 per cent of China Telecom, which offers mobile services in the Guangdong and Zhejiang provinces, reducing the number of shares to be offered elsewhere. The IPO is seen as a test of demand for "red chip" shares – mainland companies with listings on the Hong Kong stock exchange.

The main focus of the Telstra offering is domestic retail investors. At least 2.3m Australians have expressed interest in the shares, and John Fahey, finance minister, said yesterday at least 70 per cent would be set aside for them.

In Europe, two huge telecoms privatisations are under way. Some 1m French investors have registered to buy shares in the $4bn sale of a stake in France Telecom, according to the government.

The Italian authorities, meanwhile, hope to get at least 1m new domestic shareholders for the sale of the state's remaining stake in Telecom Italia, which at $12bn could be the biggest privatisation ever.

A third tranche of Portugal Telecom is also on sale. But an expected $1.25bn offering from Korea Telecom may be scaled down in the wake of recent corporate bankruptcies.

China Telecom issue, Page 27
Price fixed for Telstra, Page 27

Cook says US could threaten climate talks

By Leyla Boulton, Environment Correspondent

Robin Cook, the British foreign secretary, yesterday warned the US was in danger of wrecking international negotiations to tackle climate change in Kyoto, Japan.

"I am not optimistic about Kyoto," he said. "The noises from the United States are not encouraging."

Industrialised nations have undertaken to agree by 2010 legally binding cuts in greenhouse gas emissions associated with global warming at the December talks hosted by Japan.

But the US, the biggest producer of greenhouse gases, says it is limited by lobbying from industry and Congress.

"It is extremely difficult for the world if we can't do more to draw America more into the international community," Mr Cook told Labour's environmentalist pressure group at a meeting on the fringes of the party conference in Brighton, southern England.

Noting that a third of US congressmen did not have a passport, he called for "more internationalism" in the US approach to what President Bill Clinton has called the world's most serious environmental problem.

The White House is to host a conference on Monday on climate change to muster public support for measures to cut emissions. Mr Cook said: "Those who want see action should stress the importance of that meeting becoming a catalyst for serious debate."

Anybody who doubted that the world's climate was at risk from human actitivies need look no further than the smog choking large parts of south-east Asia, he said.

Mr Cook's comments came on the eve of a damning statement today by the World Energy Council, which argues that even the most modest targets floated ahead of Kyoto by governments, including a 5 per cent cut for the US, are unachievable.

The London-based council will say this is because most governments lack the political will to slow, let alone reverse, growth in emissions of gases from increasing fossil fuel consumption.

Emission control costs, Page 7

Markets hit by crisis talk in Italy

Continued from Page 1

than expected increase in value added tax that adds 0.6 percentage points to Italy's inflation rate. This could slow the speed at which the ultra-cautious Bank of Italy can cut interest rates, limiting the upturn in the Italian economy.

The fundamental reason for the markets' concern, however, is that the budget has failed to resolve long-running tension over pensions reform between Romano Prodi's administration, the unions and the government's far-left allies in parliament.

The recalcitrant attitude of the unions to reform – half of their members draw pensions – is undermining hopes that the final package will introduce structural changes to the pensions system.

Adding to the tension is Fausto Bertinotti, leader of the Reconstructed Communists, on whose votes the government has relied for its majority in the chamber of deputies.

Mr Bertinotti, who is against pension reform, made that clear on Sunday night, saying: "We are not there, and we will not vote for it [the budget]."

If he carries out his threat, it could trigger a crisis. But he has threatened governments in the past with the withdrawal of support, only to settle for a deal.

This time he has set out a range of demands for job creation measures which the government could write into the budget – at the risk of increasing concern about whether the administration can tighten the belt.

Asian drought cuts economic forecasts

By Peter Montagnon, Asia Editor, in London

Economists are further reducing their economic forecasts for south-east Asia in the light of the drought that has ruined rice crops in Indonesia and the Philippines and worsened the fires that have blanketed the region in smog.

Neil Saker of SocGen Crosby in Singapore said his forecasts for growth next year in Indonesia and the Philippines were 1 percentage point lower than they would have been without the weakness in agriculture. Crosby has forecast 5 per cent for Indonesia and 3.5 per cent for the Philippines.

The cuts come on top of a region-wide economic slowdown in the wake of the currency crisis, which has pushed up interest rates. Though economists said conclusions about the drought's impact must remain tentative, they agreed it could be significant.

Mr Saker's estimates of a 1 percentage point growth cost to Indonesia and the Philippines are "probably reasonable", said P.K. Basu of UBS. So far, the economic impact of the drought has caused more concern than that of the smog, although the effect on tourism revenues could be significant.

Ironically, Bali, Indonesia's main tourist area, has escaped the worst of the smog wafting across the region from fires on Indonesia's western island of Sumatra, but tourism in Singapore and Malaysia is likely to be hit heavily.

Since tourism accounts for 8.5 per cent of Singapore's gross domestic product, the country's overall growth rate could be affected by around a quarter point, said Mr Basu.

Angus Armstrong of Deutsche Morgan Grenfell was more cautious about the long-term economic consequences of the drought, but said half the rice-growing areas in the Philippines had been affected.

This will necessitate imports of rice, which could add to the inflationary impact of the peso's devaluation. Philippine inflation surged to 13 per cent when typhoons damaged rice crops two years ago.

Indonesia, whose coffee exports have suffered from the drought, is also expected to need rice imports, although the price impact may be mitigated by the fact that Thailand, a leading supplier, has also seen its currency fall.

Some economists have argued that Indonesia may have to tread more carefully on the removal of food subsidies because of the drought.

London equity firm raises $2.5bn for fund

Continued from Page 1

which was floated on the London stock exchange in July.

The extra firepower means the group, already operating at the top end of the private equity market in terms of size, is likely to buy larger companies, which could be unwanted subsidiaries of conglomerates.

While Doughty Hanson does not divulge its returns, its strategy differs from many of its rivals as it concentrates on difficult deals, using innovative financing techniques. For example, it financed its SFr1.9bn ($1.3bn) acquisition of Geberit, the Swiss sanitaryware group, with the aid of a DM157.5m ($88.9m) high-yield bond – the first "junk" bond in Deutschmarks.

THE LEX COLUMN

Banking on aid

The European Commission will tomorrow officially launch its investigation into state aid to Westdeutsche Landesbank, Germany's biggest state bank. At long last, the complaints of Germany's aggrieved private banks about unfair competition from the public sector giants are being heard.

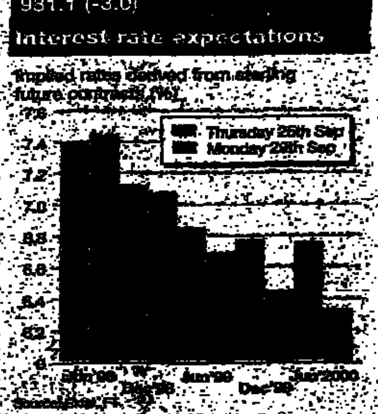
Their charge – that WestLB was given an unfair DM5.9bn ($3.4bn) cash injection when a state-owned housing development fund was integrated into the bank in 1992 – looks credible. This has not only allowed WestLB to expand its lending business in Germany but has also enabled it to push strongly into areas such as investment banking, on the international stage as well as at home. This makes the issue of state aid rightly a matter of European concern.

The Commission may be gunning for a bigger prize: the state guarantees that give the *Landesbanken* – often part of the fiefdoms of powerful local politicians – top credit ratings, allowing them to borrow more cheaply than private rivals.

The German government is sure to continue to oppose any Commission efforts to break this cosy system. Not only are the German people attached to their popular local savings banks, for which the *Landesbanken* are a vital prop, but Helmut Kohl, the German chancellor, is mindful of the role the savings banks will play in introducing the euro to a sceptical German public. If the Commission is committed to fair play, it should insist that the *Landesbanken* be cut free from state support.

FTSE Eurotop 300 index: 931.1 (-3.0)

Interest rate expectations



UK rates

Does Britain's warming attitude to European economic and monetary union mean short-term interest rates should fall towards German levels? That was the market's knee-jerk reaction to Friday's story in the Financial Times that UK prime minister Tony Blair was about to take a more positive line towards Emu. Yesterday, though, there was something of a double-take – and rightly so.

For a start, even if the UK was certain to join Emu, say, in 2000, there would be no logical reason for short-term UK rates to converge towards German rates now. Short-term rates would, indeed, have to converge in the long term; but not the short term. In fact, it would be more logical for short-term rates to rise. One reason is that the prospect of Britain joining Emu has had the effect of loosening the overall monetary stance: sterling has fallen, as have bond yields. Merely to maintain the same monetary stance, it would be necessary to increase short-term rates.

The prospect of joining Emu means it would be sensible to tighten the monetary stance. It would be politically and economically risky to swap sterling for the euro if the British economy remained several years out of sync with the rest of Europe. That means taking some steam out of the UK's upswing in the hope it does not hit the buffers just when Europe's upswing is gathering pace. With consumer tax rises ruled out by Labour's manifesto commitments, short-term rates are about the only instrument left to do the job.

European retailing

You could have been forgiven for thinking European retailing is experiencing a ferment of consolidation. Promodès is bidding for Casino, and Asda and Safeway have had merger talks. But these are essentially domestic exercises. For all the talk, pan-European retailing remains fairly underdeveloped. Still, faced with mature domestic markets, retailers are not about to give up on the idea, even though Tesco is said to be thinking of extricating itself from France.

Putting cross-border aspirations into practice, of course, is no easy task. The failure of Carrefour of France to succeed in Germany, Italy and the UK, and Marks and Spencer's tardy progress on the continent, illustrate how even the most respected names can struggle.

Clothing has proven an easier nut to crack than food. Greater convergence of consumer tastes has provided more room for exploiting economies of scale, and strong branding has lubricated the process. Food has to struggle with much greater variety of taste. The heavy investment necessary to source and distribute products also depresses returns while critical mass is being developed.

Whatever these difficulties, the advent of economic and monetary union can only encourage retailers to redouble their efforts. With integration sure to seep down on to the high street the reward for succeeding will be ever more alluring.

US/UK takeovers

The junk bond market of the 1980s is long gone, but US investors retain an appetite for leverage that would make their UK counterparts blanch. If Federal-Mogul, the US car parts maker, succeeds in taking over its British rival T&N, it will end up with net borrowings of $3bn – almost 10 times shareholders' funds and more than twice its market capitalisation. Yet Federal-Mogul's shares have risen by 15 per cent since its bid approach became public.

Given the size of the US corporate bond market, US investors are used to companies raising large amounts of debt, and credit ratings help raise comfort levels. But there is more to it than that. US investors seem prepared to tolerate very high leverage for strategic acquisitions. And they are more trusting of a respected management team, such as the one running Federal-Mogul.

There is also a readiness to look through accounting ratios, like gearing, to focus on cash flow and interest cover – which in Federal-Mogul's case should still amount to a satisfactory three times. And thanks to the popularity of share buy-backs, the notion that replacing expensive equity with cheaper debt can add value is more firmly established.

This comfort with debt potentially offers US companies superior fire-power when making international acquisitions. As Europe's capital markets become more sophisticated, this advantage will erode. In the meantime, it would be wrong to judge US acquisitions by European yardsticks.

Additional Lex comment on UK housebuilders, Page 28

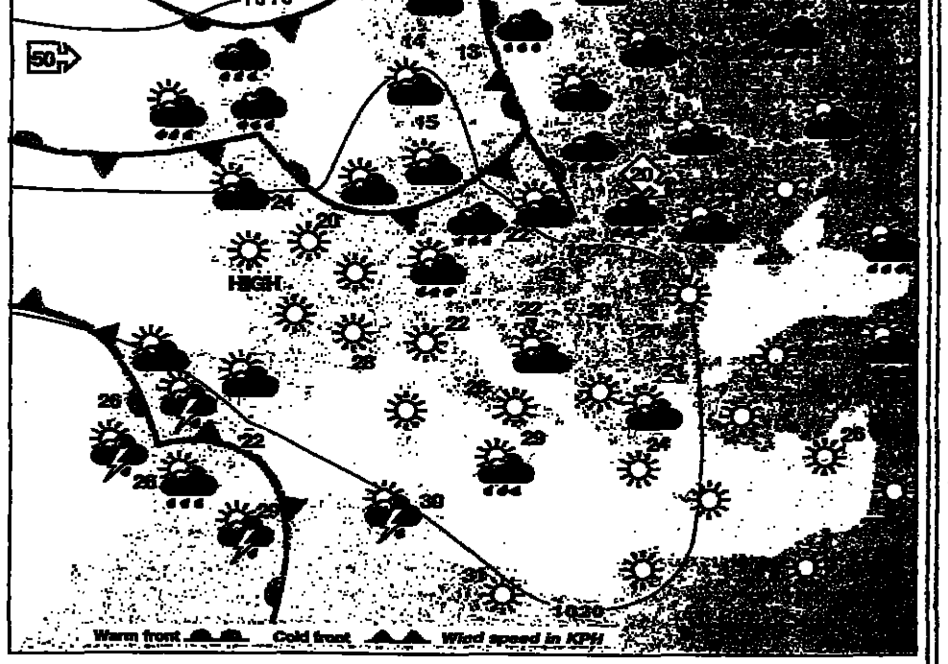
FT WEATHER GUIDE

Europe today

High pressure extends across France into Italy and the eastern Mediterranean. These areas will be dry with almost unbroken sunshine, although the alpine regions may have some showers. Northern Spain and Portugal will be warm and mostly sunny, but the south will have scattered thunderstorms. Bands of cloud and heavy rain will move eastwards across Norway and Sweden into Finland, although Denmark and north-west Germany will be mainly fine. Poland, eastern Germany and the Baltic states will be cloudy with some rain. Western Russia will be overcast with frequent rain.

Five-day forecast

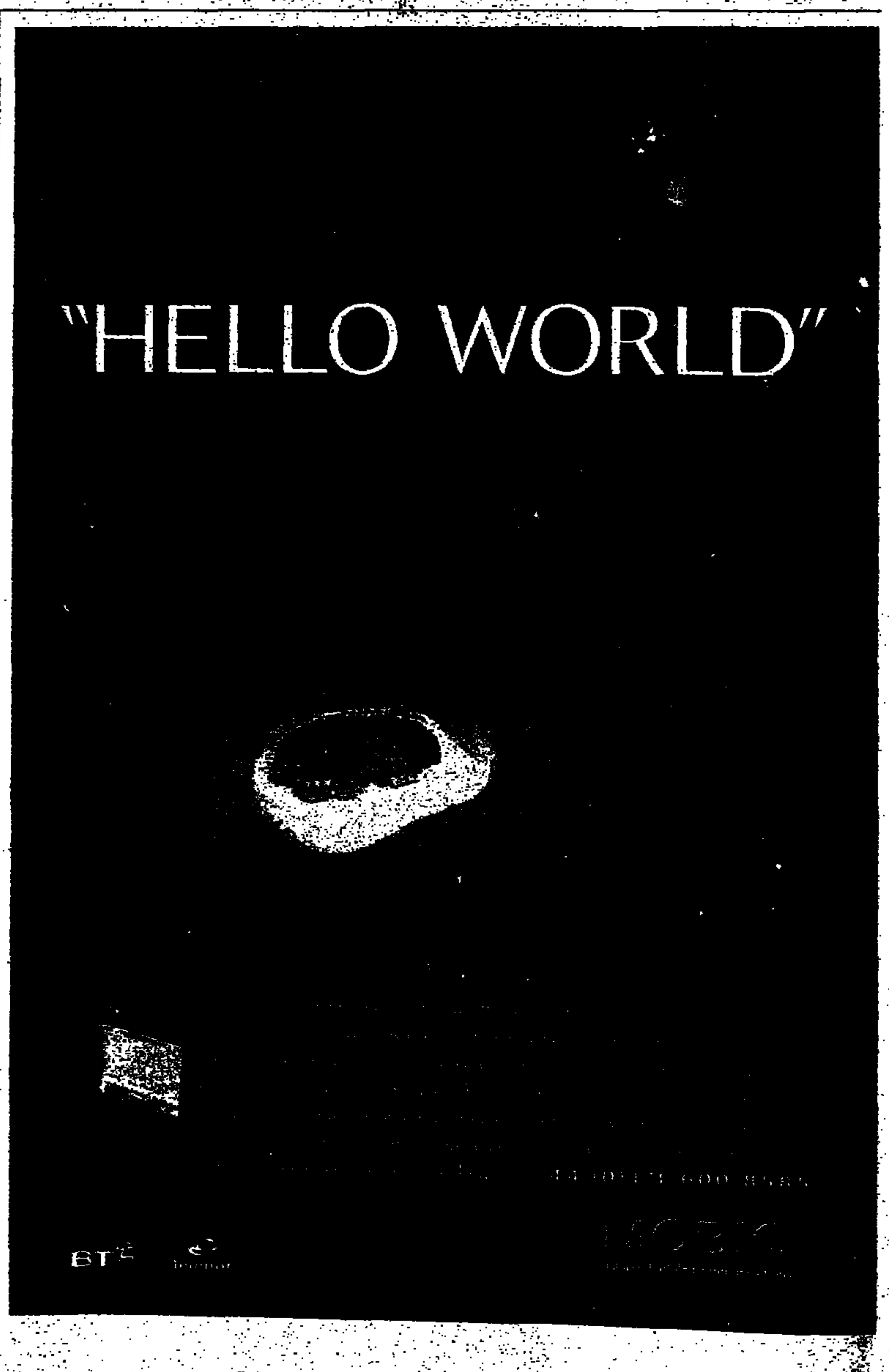
Scandinavia and eastern Europe will have further cloud and outbreaks of rain. Thunderstorms are likely to continue in south-eastern Spain. France will become cloudier on Thursday, but most places should stay dry. Cloud may reach northern Italy by Friday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	Sun
Accra	Thunder 29
Algiers	Rain 29
Amsterdam	Fair 19
Athens	Sun 24
Atlanta	Sun 29
B. Aires	Fair 19
B.ham	Fair 24
Bangkok	Thunder 33
Barcelona	Fair 24
Beijing	Fair 25
Belfast	Rain 20
Belgrade	Fair 21
Berlin	Shower 17
Bermuda	Fair 30
Bogota	Thunder 19
Bombay	Sun 25
Brussels	Fair 20
Budapest	Fair 19
C.hagen	Fair 15
Cairo	Fair 27
Caracas	Fair 33
Cardiff	Sun 21
Casablanca	Shower 23
Chicago	Sun 19
Cologne	Cloudy 21
Dakar	Fair 33
Dallas	Fair 35
Delhi	Thunder 30
Dubai	Sun 37
Dublin	Cloudy 21
Dubrovnik	Sun 23
Edinburgh	Rain 19
Faro	Fair 24
Frankfurt	Cloudy 22
Geneva	Sun 22
Gibraltar	Fair 23
Glasgow	Rain 19
Hamburg	Fair 18
Helsinki	Fair 11
Hong Kong	Rain 28
Honolulu	Fair 32
Istanbul	Cloudy 19
Jakarta	Fair 33
Jersey	Sun 21
Johannesburg	Fair 28
Karachi	Fair 34
Kuwait	Sun 41
L. Angeles	Sun 28
Las Palmas	Fair 27
Lima	Fair 24
Lisbon	Fair 26
London	Fair 24
Lux.bourg	Shower 21
Lyon	Sun 25
Madeira	Shower 25
Madrid	Fair 25
Majorca	Fair 27
Malta	Fair 27
Manchester	Cloudy 22
Manila	Thunder 33
Melbourne	Fair 20
Mexico City	Thunder 25
Miami	Thunder 32
Milan	Sun 27
Montreal	Shower 18
Moscow	Rain 8
Munich	Cloudy 20
Nairobi	Fair 29
Naples	Fair 25
Nassau	Fair 32
New York	Fair 23
Nice	Sun 23
Nicosia	Sun 26
Oslo	Fair 14
Paris	Sun 25
Perth	Fair 22
Prague	Cloudy 19
Rangoon	Thunder 31
Reykjavik	Cloudy 5
Rio	Shower 27
Rome	Sun 26
S. Frsco	Sun 26
Seoul	Fair 23
Singapore	Thunder 32
Stockholm	Fair 13
Strasbourg	Sun 23
Sydney	Fair 20
Tangier	Shower 25
Tel Aviv	Fair 27
Tokyo	Fair 21
Toronto	Rain 18
Vancouver	Rain 17
Venice	Sun 24
Vienna	Fair 21
Warsaw	Rain 12
Washington	Fair 24
Wellington	Shower 12
Winnipeg	Cloudy 14
Zurich	Sun 19



FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday September 30 1997 — Week 40

INSIDE

Fiat in $800m Russian venture

Fiat, the leading Italian industrial group, has committed itself to the biggest investment made by a foreign carmaker in Russia by signing a memorandum agreement to set up an $800m joint venture with Gaz, the Russian vehicle group, and the European Bank for Reconstruction and Development. Page 22

Federal Mogul's 'year of opportunity'

It is characteristic of the man that Dick Snell (left), chairman of Federal Mogul, should have delivered his company's takeover offer personally to the offices of T&N, its UK target. Since joining Federal Mogul, a US manufacturer of precision products for the motor industry, last November, Mr Snell has made growth his mission. "This is our year of opportunity," he told the group's annual meeting in April. Page 24

Solid gains on Swiss stock market

The Swiss stock market has been one of Europe's top performers this year. It is 44 per cent up on the start of the year, about 33 per cent ahead in dollar terms, in contrast to 1996 when the weakness of the Swiss franc wiped out most of the gains for foreign investors. Page 44

Vietnam the top Asian coffee exporter

Vietnam is likely to maintain its position as the biggest exporter of robusta coffee in Asia-Pacific next year – weather permitting – because of an aggressive planting programme that has raised yields significantly. Page 34

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 34

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
[illegible]	1475	+ 27
[illegible]	559	+ 9.50
[illegible]	3030	+ 75
[illegible]	779	+ 13.50
Falls		
[illegible]	605	– 11
[illegible]	1330	– 20
NEW YORK ($)		
Rises		
[illegible] Cp	29¼	+ 2¼
[illegible]	44¼	+ 3
[illegible] Bty	83¾	+ 11⅞
Falls		
[illegible]	81½	– 9¼
[illegible]	31	– 3¼
[illegible] Mfg	21⅞	– 1⅞
LONDON (Pence)		
Rises		
[illegible] Energy	335	+ 11½
[illegible]	60½	+ 5
[illegible]	56	+ 7
Falls		
[illegible] Srvs	55¼	– 5¼
[illegible]	31½	– 5¼
[illegible]	891	– 22½
TORONTO (C$)		
Rises		
[illegible] Telecom	12.50	+ 1.25
[illegible]	32.75	+ 3.80
[illegible]	8.25	+ 1.15
[illegible]	44.00	+ 5.10
Falls		
[illegible] Res	9.00	– 1.00
[illegible]	1.50	– 0.45
PARIS (FFr)		
Rises		
Bongrain	2171	+ 63
Carrefour	3625	+ 74
Guilbert	774	+ 25
SLIC	835	+ 28
Falls		
Bacaire Crp	748	– 31
Techelp	723	– 20
TOKYO (Yen)		
Rises		
Seiyu Pharm	1990	+ 79
Falls		
Asahi Bank	696	– 49
Daiiku	928	– 55
Fujita Kanko	1280	– 80
Hoya	4160	– 230
Makino Mfg	650	– 66
HONG KONG (HK$)		
Rises		
Chinese Est H	6.90	+ 0.20
Cosco Pac	13.90	+ 0.10
Hang Seng Bk	94.25	+ 1.75
HK Telecom	17.25	+ 0.15
Falls		
Great Eagle	22.20	– 0.70
Sin Chn Mg Pst	6.95	– 0.15
BANGKOK (Baht)		
Rises		
Minor Corp	22.00	+ 2.00
Regional Cont	71.50	+ 6.50
Thai British	22.00	+ 2.00
Falls		
ICC Inter	80.50	– 6.50
National Fin	25.75	– 2.75
Sri Trang Agro	41.00	– 4.00

New York & Toronto prices at 12.30.

Salomon foreign links backed

Travelers to keep up investment despite losses

By William Lewis and Tracy Corrigan in New York

Travelers Group, the US financial services company, plans to maintain heavy investment in the overseas operations of Salomon Brothers, despite several consecutive years of losses in a key part of Salomon's international business.

Last week, Travelers agreed to buy Salomon, the Wall Street investment bank, for $9bn, as the main vehicle for its overseas expansion.

It emerged yesterday that Salomon's investment banking operation, one of four divisions, has made a pre-tax loss of about $100m over the last 12 months. It is understood to have suffered similar losses over several years.

Sandy Weill, Travelers' chairman, said in an interview that Salomon had been investing more in its international investment banking operations than they had been yielding in revenue.

"They were spending a little bit more than they were making....maybe $50, $60, $70m a year [more] than they were making on an after-tax basis," he said.

Salomon's business as a whole has been profitable in recent years, with the exception of 1994, due to its strength in the US market and in fixed income globally. Its performance in proprietary trading has been variable.

Mr Weill said he expected the creation of Salomon Smith Barney – comprising Salomon and Smith Barney, Travelers' brokerage – to result in an increased level of investment banking business and turn ongoing losses into profit.

"We will at least continue that same level of investment as we are going to have a lot more business running through that platform," he said.

Mr Weill said analysts who suggested Travelers was planning to cut back on investment in its international operations were wrong.

He said: "They [Salomon] had all the pain over this long period of time". Mr Weill added: "Obviously what was happening was they have made a lot of investment. They are going to reap the reward of those investments."

Over the past year Salomon is also thought to have suffered a loss of $200m in its equities operations, but Mr Weill said that was largely the result of Salomon's arbitrage position in the merger between British Telecommunications and MCI Communications.

Despite the losses, analysts remain confident in Mr Weill's ability to improve Salomon's performance. "Salomon's earnings have been erratic," said Joan Goodman, an analyst at Pershing, the brokerage division of Donaldson, Lufkin & Jenrette. She said Mr Weill would "bring management expertise. He has always brought some predictability to earnings in the firms he has taken over."

Lufthansa considers sale of non-core holdings

By Graham Bowley in Frankfurt

Lufthansa, the German airline, is studying plans to sell or float some of its non-core industrial holdings as part of a move to raise up to DM11bn ($6.2bn).

This emerged yesterday as Lufthansa kicked-off the final book-building stage in the sale of the German government's remaining 37.5 per cent stake in the airline, expected to raise up to DM5bn.

The privatisation is Germany's biggest apart from the sale last year of a government stake in Deutsche Telekom.

Lufthansa said it would consider selling "at least part" of its 29 per cent stake in Amadeus, the reservations system, as well as spinning off C & N Condor Neckermann Touristik, its tourism joint venture with retail group Karstadt.

The airline's holding in Amadeus is valued at around DM1bn. It is also looking at other travel business holdings, including DER and EuroLloyd. It confirmed plans to spin off LSG Catering, the catering business, next year.

"We are looking at everything. We are checking to see if they fit economically and strategically," it said.

The airline is planning a re-evaluation of its aircraft fleet. It expects to realise between DM2bn and DM3bn in "hidden reserves" because the fleet is thought to be undervalued. The sales and the re-evaluation together could boost total value by up to DM11bn, it said.

There has been speculation that its stake in DHL, the international courier, might be floated but yesterday Lufthansa said: "This will remain one of our major assets."

The announcements came as Lufthansa executives began a two-week tour of financial centres to help build demand for the airline's shares. Lufthansa is enjoying strong growth which has propelled its share price sharply higher this year.

Dresdner Kleinwort Benson and SBC Warburg are leading the consortium of banks overseeing the sell-off. They said about two-thirds of the remaining stake would be sold to German investors and the other third internationally. The offer price will be announced on October 12.

Leak cans supermarkets alliance

There was champagne – but little sense of victory – at the Safeway reception in Brighton's Metropole Hotel last night. While ministers from the Labour party's conference were quaffing the supermarket chain's own-label bubbly, the company's top executives were drowning their sorrows over the failure of what could have been the deal of the century for the UK's food retail sector.

It seems hard to credit that a press leak over the weekend could have killed off a move to create the UK's largest supermarket group by merging Asda and Safeway. But last night that appeared to be the case since the two groups can no longer obtain unofficial advice on the deal's possible referral to the UK competition authorities.

A conversation en route to Brighton between Asda's chairman Archie Norman and Safeway's David Webster drew a line under what has been more than a year of complicated and intense negotiations between the UK's third and fourth largest groups.

But have they missed an unmissable opportunity? The market is divided. Some argue that combining the businesses would have brought substantially more than the estimated £200m in cost savings, perhaps double that. This could only have been good news for shareholders in both companies, since only £150m was likely to go to the consumer through lower prices.

A merger would also have helped to stabilise the market, say others. A feature of the supermarket sector in the past five to 10 years has been that weakening players have sought to regain their positions by cutting prices. This has put pressure on the gross margins of all superstore operators. By having three stronger competitors – operating on a more equal basis – arguably some of the pressures for price cutting would disappear.

But a merger would not have been easy and could have been fraught with substantial risk. The companies sit at almost opposite ends of the spectrum in format, customer base and pricing.

Asda operates stores of on average 40,000 sq ft, with a high degree of non-food merchandise, which also happens to be the engine behind the company's rapid sales growth. It would have been difficult to exploit this in Safeway's much smaller stores, on average about 25,000 sq ft.

Asda has the lowest pricing structure of the big four, and Safeway generally comes at the top. Cutting prices might have been more a case of bringing Safeway into line with Asda rather than a wholesale reduction. This casts doubt on the assertion that consumers in general would be the big beneficiaries of lower prices, the key argument for winning government approval.

Finally, there is the vast difference in cultures: Safeway's straightforward, but slightly serious, approach, which better suits its middle class customers, versus Asda's irreverent and brash marketing aimed at low-income families. Could they really have worked together without running into snags that would, in the end, have cost shareholders dear?

Safeway and Asda now face the future on their own – for the time being at least. Yesterday Safeway's shares shot up as the market took the view it had become a bid target. The feeling was that it appeared to have admitted it was not strong enough on its own to keep moving forward in a mature market where the three bigger players were generating higher levels of growth.

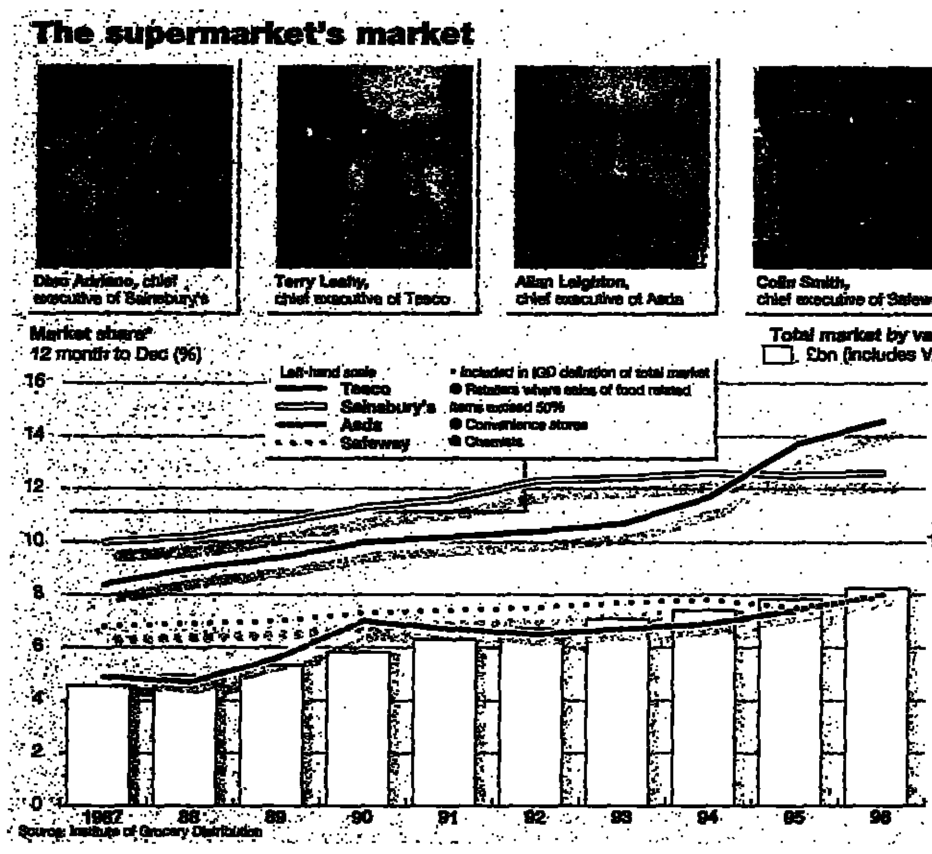
But the prospect of consolidation in the UK food sector is not likely to go away. Although Britain is one of the most concentrated food retail markets in Europe, with the exception of the Netherlands, there could be further mergers or takeovers in a bid to offset the growing dominance of Tesco, the market leader, as well as a resurgent J Sainsbury.

The most likely outcome is a consolidation among the hardest hit operators at the discount end – Kwik Save and Iceland.

Moreover, consolidation could create a stable environment at home which would allow UK supermarket groups – widely regarded as among the most efficient retailers in Europe – to exploit their skills abroad. This logic is already fuelling consolidation in the French food retail sector. "Promodes has said they need a very strong domestic base to go abroad," says Keith Wills, European retail analyst at Goldman Sachs. "If the Safeway-Asda deal had come off it would have been the end of the game in the UK. I think Safeway's management saw through saw that."

Peggy Hollinger

The supermarket's market



Source: Institute of Grocery Distribution

French bourse regulator approves bids for Casino

By Andrew Jack in Paris

The French stock market regulator yesterday approved two competing bids for Casino, the retailing group, and formally launched a takeover battle which is likely to run until late October.

The Conseil des Marchés Financiers (CMF), the self-regulatory authority, said the revised versions of the hostile FFr31bn ($5.21bn) bid by the retailer Promodès and the alternative "white knight" bid by Rallye were acceptable.

However, it highlighted the need for Rallye to respect the rights of its minority shareholders, and invoked the possibility of a buy-back of their stakes if the takeover fundamentally changed the company's structure.

Rallye is 80 per cent controlled by Jean-Charles Naouri, the French financier, but also has other investors who are believed to have expressed concern to the CMF about the high level of debt their group could incur as a result of the Casino takeover.

The rulings yesterday came after Promodès upped its offer for Casino by FFr3bn last Thursday, and Rallye followed on Friday evening with a revised offer after its initial counter bid was rejected by the CMF.

The CMF said Rallye held 33 per cent of Casino's shares and that, as a result of double voting rights, it would control 43 per cent of the votes by October 25.

If the founding Guichard family, which controls a further 8 per cent of the capital and 16 per cent of the voting rights, maintains its unanimous support for Rallye, it will prove difficult for the Promodès offer to succeed.

The CMF's decision overruled an argument by Promodès that Rallye's new bid broke stock market rules because it had a lower value than its own tender. Promodès also claimed that Rallye's bid would trigger substantial additional debt, impeding Casino's development.

Casino executives argued that the Rallye bid would permit the company to pursue its own autonomous development without diverting time and resources to a merger. Rallye advisers added that they believed their offer was more tax advantageous.

Trading in Casino and Rallye shares will resume today.

Red-blooded capitalism, Page 17; Lex, Page 18

Saudis buy Donna Karan stake

By Richard Tomkins in New York

An Arabian princess helped boost Donna Karan International's flagging share price yesterday after it emerged that she and her father, the Saudi billionaire Prince Al Waleed bin Talal, had taken a stake in the US fashion company.

Prince Al Waleed's office in Riyadh said the prince had paid more than $20m to acquire 7 per cent of Donna Karan's stock, comprising a 6 per cent stake for himself and a 1 per cent stake for his daughter, Princess Reem bint Al Waleed.

Donna Karan's shares, badly depressed by a string of troubles since the company floated on the stock market at $24 a share last year, jumped sharply on the news. In early trading, they were up $⅝, or 4 per cent, at $15¼.

Prince Al Waleed's investment comes just days after Gucci, another well-known fashion house, warned that second-half profits would be lower than expected because of the effect of the weak yen and strong dollar on spending by Japanese tourists and the company's dollar earnings.

Donna Karan's shares hit a high of $28 on the day the company floated, but quickly sagged after the company ran into financial difficulties. At the end of July, soon after reporting heavy second-quarter losses, Ms Karan stepped down as chief executive.

Prince Al Waleed has a well-established reputation for taking equity stakes in companies with high international profiles. He tends to buy into companies at a time when they are in financial difficulties, hoping to profit from their recovery.

At the weekend, he sold $140m worth of US hotel assets to Great Eagle, a Hong Kong property group. In 1993, the prince took a stake in Saks, the department store group. His other interests include stakes in Citicorp, Euro Disney, Canary Wharf, Apple Computer, Planet Hollywood and Trans World Airlines.

Fiat chairman quits Mediobanca

By Paul Betts in Milan

Cesare Romiti, chairman of Fiat, the Italian carmaker, yesterday stepped down from the board of Mediobanca, the influential Milan merchant bank, to make way for Paolo Cantarella, Fiat chief executive.

His departure as one of Mediobanca's most powerful board members reflects a gradual shift inside the secretive bank, which is struggling to adapt to changing Italian and international market conditions.

Mediobanca is also understood to have appointed Gerardo Braggiotti as the bank's general secretary, in an effort to defuse the power struggle that has shaken the bank during the past six months.

Mr Braggiotti, widely regarded as the leader of the new generation of managers, had threatened to resign this summer unless he was given wider powers. Although backed by several Mediobanca board members and shareholders, Mr Romiti was understood to have opposed Mr Braggiotti's elevation.

His appointment as general secretary appears to be a short-term compromise to avoid a rift between the bank's new and older generation, led by Vincenzo Maranghi, the chief executive.

In the longer term, Mr Braggiotti is widely expected to prevail in the ongoing power struggle with Mr Maranghi.

Mr Cantarella is widely regarded as another example of the new breed of successful younger generation professional managers in Italy, although he clearly remains close to Mr Romiti.

Fiat said yesterday that Mr Romiti, who will be 75 next year, was gradually stepping down from other company boards to devote his attention to the Turin automotive group.

But by stepping down, Mr Romiti is also complying with Bank of Italy regulations under which a convicted individual, even if he is appealing, is not allowed to sit on the board of a banking institute.

Mr Romiti was convicted by a Turin court in April on charges of falsifying accounts and given an 18-month suspended prison sentence. The Fiat chairman has vigorously denied the charges, involving the alleged use of off-balance-sheet funds between the mid-1980s and 1992 to provide illicit financing for Italian political parties. He has appealed.

Mediobanca also appointed two other new board members last night, including Mr Angelo Marchio, the executive chairman of the RAS insurance group, and Mr Pier Francesco Saviotti, managing director of Banca Commerciale Italiana responsible for corporate finance.

Mediobanca also reported higher first-half net profits of L139.1bn ($80.7m), compared with L120.32bn last year.

AP

Cesare Romiti: departure reflects gradual shift at the Milan bank

Incentive restructuring gathers pace

By Tim Burt in Stockholm

Incentive, the industrial arm of Sweden's Wallenberg business empire, yesterday stepped up its restructuring by announcing the sale of 5m shares held by Investor, its Wallenberg sister company, and the flotation of its Munters humidity controls business.

The company – which has raised almost SKr16bn ($2.1bn) from non-core disposals this year – said the share sale would increase liquidity in its stock, while the Munters spin-off underlined its refocusing on medical technology.

Mikael Lilius, Incentive chief executive, hinted the moves could help clear the way for a US listing. "Our intention is to expand the shareholder base internationally and in the US in particular," he said.

Under the terms of the share sale, Investor will reduce its holding in Incentive from 27.1 to 19.8 per cent of the capital – at the same time cutting its voting rights from 35.6 to 26 per cent.

Claes Dahlbäck, Investor chief executive, said the estimated SKr3bn-SKr4bn proceeds from the institutional placing would help fund its acquisition of SKr6.4bn of shares in Asea Brown Boveri, the Swiss-Swedish engineering group.

The ABB shares are being sold to Investor by Incentive, in a transaction that was designed to help finance Incentive's $1.57bn takeover of Vivra, the US chain of renal care clinics.

By acquiring Vivra, Incentive signalled its intention to concentrate on medical technology and withdraw from non-core engineering businesses. The company last week announced the sale of its Hägglunds military vehicles business to Alvis, of the UK, for SKr975m.

The flotation of the Munters humidity controls subsidiary – which last year made profits of SKr155m on sales of SKr1.9bn – is expected to raise a further SKr1.82bn.

Morgan Stanley Dean Witter acted as advisers to Incentive on the Munters flotation and to Investor on the reduction of its share stake.

Crédit Agricole up 20%

By Andrew Jack in Paris

Crédit Agricole, the French mutual bank, yesterday published half-year results for the first time, showing net income up 20 per cent to FFr4.6bn ($777m).

The bank, which is ultimately owned by its clients, is not quoted and so is not obliged to meet the disclosure requirements of some of its competitors.

Its decision to release the information follows its acquisition last year of Banque Indosuez, which improved Crédit Agricole's performance for the first six months of 1997. Indosuez reported net income up three-fold at FFr537m.

Under pressure from the French banking commission, Crédit Agricole also consolidated for the first time the accounts of its 2,775 local branches, instead of simply including its regional and national operating divisions. The change added FFr250m to net profits, FFr500m to banking income and FFr5bn to shareholders' funds.

In spite of criticism by France's commercial banks of the competitive distortions of the mutual sector, Crédit Agricole had a return on equity of 8.1 per cent and a ratio of operating costs to income of 65.6 per cent – in line with the market.

Customer deposits rose 21 per cent to FFr1,413bn in the period, while asset volume in life assurance rose 20 per cent to FFr293bn. Lending volume climbed 21 per cent to FFr1,266bn.

Banking revenues rose 21 per cent to FFr401bn, with 57 per cent coming from interest payments, 22 per cent from commissions and 22 per cent from financial operations and other products.

Astra seeks patents for Losec successor

Astra, the Swedish pharmaceuticals group, yesterday said it was seeking patents in 60 countries for a new drug designed to replace its best-selling Losec anti-ulcer agent, writes Tim Burt.

It said it was starting late-stage clinical trials on perprazole, developed to combat acid-related diseases.

If successful, it is hoped that perprazole will give Astra new patent protection after existing patents on Losec expire.

The first patents on Losec, which accounts for almost half of Astra's SKr10bn ($1.3bn) annual sales, are due to expire in the US in 2001. Further patents on the blockbuster drug will expire between 2005 and 2016.

Hakan Mogren, Astra chief executive, predicted that perprazole would "contribute considerably" to Astra's future growth.

However, Astra's most commonly-traded A shares fell SKr2.50 to SKr139 in Stockholm after analysts expressed disappointment at the lack of detailed information on perprazole.

Ex-Leica chief to chair Swisscom

By William Hall in Zurich

Markus Rauh, the Swiss executive who helped turn around Leica, the German camera and electronics group, has been named chairman of Swisscom, Switzerland's state-owned telecommunications company which is due to be privatised next year.

Mr Rauh, who has been closely involved with Stephan Schmidheiny, one of Switzerland's wealthiest investors, has been brought in above Felix Rosenberg, who currently heads Swisscom. Mr Rosenberg will continue as a member of the Swisscom board, but the arrival of Mr Rauh raises questions over whether he will remain chief executive in the long term.

Mr Rauh made his name overseeing the 1990 merger of Cambridge Instrument and Wild Leitz Holding, which resulted in the formation of Leica.

The Swiss government has also appointed other outsiders to the Swisscom board, including Rose Gerrit Huy, head of Compaq Computers in Germany; Peter Küpfer, a management consultant; and André Richoz, chief executive of Charmilles Technologies, a Swiss high-tech company.

Mr Rauh's appointment is the clearest sign yet that the government is intent on shaking up the management of Swisscom, which is due to lose its monopoly at the start of next year. The state wants to sell up to 49 per cent of Swisscom in the second half of 1998.

Yesterday's moves also reflect an effort to strengthen a board which has traditionally been filled by political appointees.

Several overseas telephone companies, such as British Telecommunications and SBC, of the US, have joined forces with Swiss groups to enter one of the world's most lucrative telecoms markets.

EUROPEAN NEWS DIGEST

KLM chief back at Northwest

Leo van Wijk, the new president of KLM, is to reassume the seat on the board of Northwest Airlines he vacated nearly two years ago, after the Dutch flag carrier yesterday signed a peace agreement with its US partner. The deal involves the phased sale of KLM's nearly 20 per cent stake in Northwest for $1.17bn, with the equity ties replaced by a strengthened 10-year operational alliance.

Mr van Wijk, then managing director, was among three KLM nominees on Northwest's board who resigned in a dispute over a "poison pill" defence mechanism put in place by the US carrier. John Dasburg, Northwest president, will join KLM's supervisory board. The accord signed by the two in New York allows the first, $324m tranche of common and preference shares to be transferred back to the US airline. The holding will not be fully unwound until 2000. *Gordon Cramb, Amsterdam*

■ GERMANY

Kolbenschmidt absorbed

Germany's Rheinmetall Beteiligungen, holding company for the automotive business of industrial group Rheinmetall, said yesterday it had signed an agreement to merge automotive supplier Kolbenschmidt into its holdings. Rheinmetall already holds 53.5 per cent of Kolbenschmidt. The new company will be called Kolbenschmidt Pierburg, and 76.4 per cent will be owned by Rheinmetall. It will also eventually be listed on the stock exchange, Rheinmetall said. *AP-DJ, Frankfurt*

■ WORMS ET CIE

Ifil urges rejection of bid

Ifil, the holding company for the Agnelli family of Italy, yesterday reiterated calls to fellow shareholders in the Worms group of France to resist a FFr30bn ($5.06bn) hostile bid by financier François Pinault's Artemis group. Ifil controls 20.02 per cent of Worms' voting rights, and 19.9 per cent of the stock. "Those present and represented on the supervisory board [including Ifil] unanimously recommended that shareholders and holders of convertible bonds in Worms et Cie not tender their shares to the offer," Ifil said.

The call came as Ifil reported a 90 per cent cent surge in pre-tax profit at the parent level to L54bn ($31.36m) in the first half, from L28bn last time. Profit from ordinary operations rose from L150bn to L248bn. One-off gains rose from L290bn to L378bn, mainly because of the sale of a stake in La Rinascente, the department store chain, to French retailer Auchan. *Agencies, Milan*

French corporate restructuring, Page 17

■ TELECOMS

Unisource in Hungary move

Unisource, the European telecoms alliance, along with domestic broadcaster Antenna Hungaria, submitted the only bid in a tender to become a partner in MKM-Tel, Hungary's planned second national telecoms company to compete with Matav, the monopoly. MKM-Tel is made up of national rail company Mav, oil company Mol and KFKI, a research institute.

Matav yesterday announced it would go ahead with an initial public offering of up to 27 per cent, worth some Ft224bn ($1.1bn). *Kester Eddy, Budapest*

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Bottling groups plan $3.5bn merger

By Kerin Hope in Athens

Hellenic Bottling Company, which holds the franchise for Coca-Cola in Greece, yesterday announced a merger with Molino Beverages Holding, of Luxembourg, to create a soft drinks bottling group with a market value of more than $3.5bn.

HBC, listed on the Athens Stock Exchange, already controls 30 per cent of Molino. It will buy the remaining 70 per cent by issuing 40m new shares to Molino shareholders. There will be no exchange of cash, as both companies are controlled by the Cyprus-based Leventis group.

When the merger is completed next month, Molino shareholders will have a 28 per cent stake in HBC, which will become the second-biggest stock on the Greek bourse by capitalisation.

Alpha Finance, the Greek investment bank, acted as adviser to HBC, while BZW provided a fairness opinion on the merger's financial terms.

Loukas Komis, of HBC, said 45 Coca-Cola bottling plants in 10 countries would be "united under a single umbrella". On the basis of 1996 results, the group would have annual sales of more than $1bn.

HBC bottles Coca-Cola in Greece, Armenia, Serbia and Bulgaria, while Molino holds franchises for Northern Ireland, the Irish Republic, Nigeria, Romania, Moldova and parts of Russia. The merger will increase HBC's market for soft drinks from 33m to almost 200m consumers.

"It gives us a well-balanced mix of established and developing business, with HBC getting more access to growth opportunities, especially in Russia," Mr Komis said.

Like Amatil, the Australian Coca-Cola bottler, HBC is playing an important role in the US soft drinks group's expansion in eastern Europe. HBC and Molino together have invested about $500m in the region in the past five years, with the Greek company building plants and setting up local distribution networks.

The Atlanta-based Coca-Cola company holds a 40 per cent stake in a joint venture in Russia with Molino, which has invested $200m in three new bottling plants, one west of Moscow and the others in Siberia.

HBC yesterday reported consolidated first-half pre-tax profits up 36 per cent to Dr18.6bn ($66.6m) on turnover up 12.5 per cent to Dr83bn. Results were boosted by higher profits in Bulgaria and investments in Serbia, where HBC has a joint venture with local businesses. Molino posted first-half operating profits of $20.6m on turnover of $295m. It was affected by start-up costs in Russia and high inflation in Romania.

Spirit of Trabant heads west again

By Frederick Stüdemann in Zwickau

Television images of Trabants, the smoke-spewing cars which symbolised communist East Germany's spluttering economic performance, beamed around the world in 1989 as easterners drove west following the collapse of the Berlin Wall.

On Thursday, the car will head west again – in spirit, at least – when shares in Sachsenring, the company that made Trabant, list on Frankfurt's Neuer Markt, the market for small and medium-sized companies.

Sachsenring, which is only the third east German company to go public since unification, will offer 2.33m shares, priced at DM21-DM25 to raise DM245m-DM290m ($139m-$164m), in an initial public offering led by Dresdner Kleinwort Benson and Commerzbank.

The transformation of Sachsenring – based in Zwickau, one of the historic centres of the German car industry – began on a low note. The Trabant, the last of which rolled off the line in Zwickau in 1991, was not able to compete with western cars and the Treuhand privatisation agency decided to close down the company.

"When I heard about it, I couldn't believe it. I come from a marketing background and couldn't believe that something with this level of recognition was going to be done away with," says Ulf Rittinghaus, a director of Sachsenring.

An heir to a fortune in the Mittelstand – the small and medium-sized companies on which much of west German prosperity rests – Mr Rittinghaus and his brother Ernst Wilhelm, an engineer, bought Sachsenring from the Treuhand in 1993. Their aim was to turn it into an automotive components supplier.

"When we arrived, the company was at the end of the supply chain, making the cheapest things with the lowest margins," says Mr Ulf Rittinghaus. Sachsenring also depended on Volkswagen, which had built a factory near Zwickau, for 99 per cent of its sales.

Today, Sachsenring supplies complete advanced component systems to VW, BMW, Mercedes and Opel, the German unit of General Motors. It has also begun to diversify, through the acquisition of Trasco, an armoured car maker, and the inclusion in the Sachsenring portfolio of companies from the Rittinghaus family's group of businesses.

In the first half of 1997, the company had sales of DM125m and profits before tax and write-offs of DM12.2m.

Mr Rittinghaus says Sachsenring now has orders worth DM1.2bn.

Driving to market: Sachsenring directors Ulf Rittinghaus (left) and Juergen Rabe Reuters

Fiat agrees $800m venture with Russia's Gaz

By Haig Simonian, Motor Industry Correspondent

Fiat, the leading Italian industrial group, yesterday committed itself to the biggest investment by a foreign carmaker in Russia, with a memorandum agreement to set up a $800m joint venture with Gaz, the Russian vehicle group, and the European Bank for Reconstruction and Development.

The deal was signed to coincide with the visit to Moscow by Romano Prodi, Italy's prime minister. A final contract may be sealed when Boris Yeltsin, Russia's president, visits Italy next February.

The venture, which should start production late next year, plans to build 150,000 Fiat Marea, Siena and Palio Weekend models, with a high level of local content. It will also manufacture engines and components.

The investment marks a further step for Fiat in breaking away from its dependence on the Italian market. The company has already diversified through its Palio/Siena "world car project". The vehicle, inaugurated last year, is already built in Brazil, Argentina and Poland.

Fiat was one of a number of western carmakers courting Gaz, considered one of the most efficient vehicle makers in the former Soviet Union.

The company is best known for its 4-6 tonne trucks and Volga passenger cars. However, since 1994, it has also had considerable success with its Gazelle 1.5 tonne light truck.

The deal with Fiat has surprised some analysts, who believed Gaz had wanted to remain independent. Unlike some other suitors, however, Fiat has been content to settle for a joint venture rather than take a direct stake.

Gaz, which is based in Nizhni Novgorod, 400km east of Moscow, was thought to have been seeking a partner to supply engine technology. The company had been in talks with Austria's Steyr group for the supply of 200,000 diesel engines a year. Gaz builds 125,000 cars and 75,000 trucks a year.

Fiat tried to regain a foothold in the Russian motor industry in 1989, through an ambitious plan to create a joint venture for up to 900,000 cars a year. However, the deal foundered on political and economic difficulties in Russia's transition to a market economy.

General Motors, of the US, has started building cars in the former Soviet Union and plans to extend its activities through a joint venture with Autovaz. Ford produces cars and vans in Belarus.

All limited partnership interests have been placed. This announcement appears as a matter of record only.

September 30, 1997

US$ 2,500,000,000

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The undersigned acted as financial advisers and arranged for the private placement of the limited partnership interests.

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BankBoston in $250m Argentine buy

By Victoria Griffith in Boston and Graham Bowley in Frankfurt

BankBoston has agreed to acquire Deutsche Bank Argentina, a retail subsidiary of the Frankfurt-based group, for $250m cash in a move to strengthen its large retail franchise in in Latin America.

The move is part of BankBoston's aggressive expansion in the region and confirms it is looking for acquisitions in Latin America rather than in the US, where there has been heavy consolidation in the banking sector.

Deutsche Bank, Europe's biggest, meanwhile unveiled plans for a push into investment and wholesale banking in Argentina following the retail divestment. It is to create an investment bank to focus on money market, foreign exchange and bond trading.

The new bank will work alongside Deutsche Morgan Grenfell Argentina Sociedad de Bolsa, a subsidiary that specialises in equities.

It would also take responsibility for mergers and acquisitions, and wholesale banking.

The Deutsche subsidiary which is to be acquired by BankBoston is a full-service bank with assets of $2.6bn and more than 100,000 retail and middle-market customers.

The acquisition follows BankBoston's recently-announced plans to add 70 new branches in Argentina, primarily in the interior provinces.

The bank's highly profitable Latin American division has long been considered one of its "jewels", and has led several analysts to name it as one of the most likely acquisition targets in the US.

Last year, BankBoston appointed as president Henrique Meirelles – formerly head of the bank's Brazilian subsidiary – to lead a charge into Latin America.

Mr Meirelles, who has said that he would make operations in the region a cornerstone of BankBoston's global strategy, yesterday met Carlos Menem, the Argentine president, to garner his support.

The deal, which is subject to approval by the Central Bank of Argentina and the US Federal Reserve, is expected to be completed in the first quarter of next year. "Latin America has been the foundation of our global strength and continues to offer the best promise for revenue growth," said Chad Gifford, BankBoston chief executive.

BankBoston already has a substantial presence in Argentina, where it is the fourth-largest private bank, with 44 branches and $5bn in assets.

The purchase of the Deutsche Bank subsidiary will exclude the unit's activities in the pension fund, insurance and investment banking businesses.

Snell sees an opportunity in globalisation

Federal-Mogul's bid for T&N highlights growing trend in automotive components industry

It is characteristic of the man that Dick Snell, chairman of Federal-Mogul, should have delivered his company's takeover offer personally to the offices of T&N, its target.

Since joining Federal-Mogul, a US manufacturer of precision products for the motor industry, last November, Mr Snell, the former chief executive of Tenneco's big automotive products subsidiary, has made growth his mission.

"This is our year of opportunity," he told shareholders at the annual meeting last April. "We want to expand our manufactured product offering to our original equipment customers through synergistic acquisitions."

Mr Snell, aged 55, is a leading exponent of the rationalisation theory for components companies. His reasons are obvious: as the motor industry has become more global, vehicle makers expect suppliers to follow them into new markets, like Brazil or Poland.

The pressure for internationalisation has been particularly marked for US suppliers like Federal-Mogul. For years, such companies made their livelihoods by working for General Motors, Ford and Chrysler, the "Big Three" domestic carmakers.

But times have changed. GM, for example, is now building car plants in Argentina, Poland, Thailand and China. To maximise economies of scale, leading carmakers like GM want to buy the same parts, from the same suppliers, in as many locations as possible. To keep that business, suppliers have to grow, says Mr Snell.

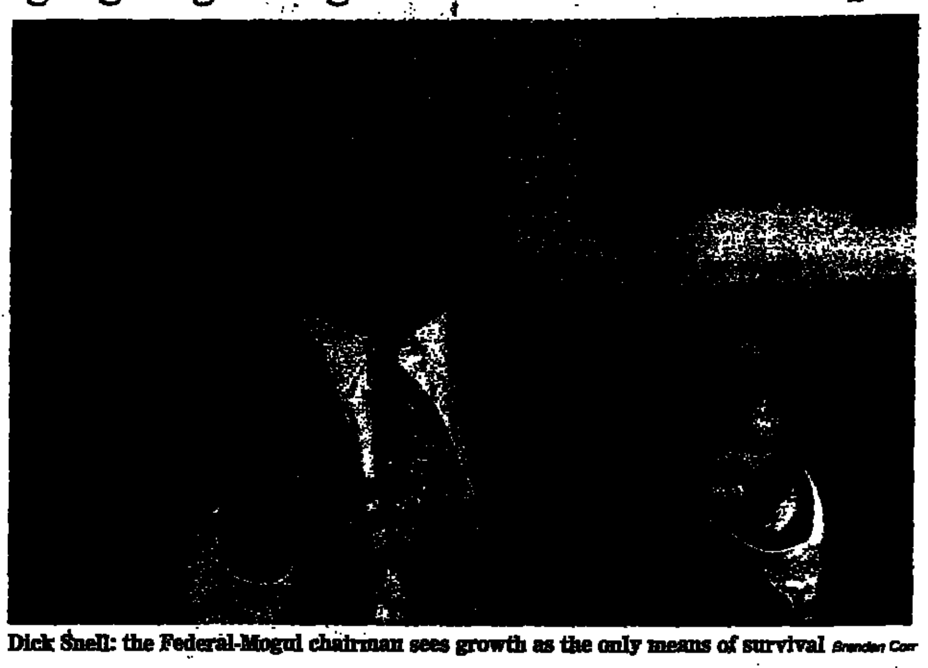
Financial pressure is the other reason behind his belief that growth is the only means of survival in the components sector. Vehicle makers have confronted leading suppliers with a double challenge in their drive to cut manufacturing costs.

Big carmakers have demanded relentless discounts from suppliers as the price of retaining their business. But they have also devolved capital-intensive activities, such as some research and development functions, on to suppliers in order to cut costs further.

The reward for successful suppliers has been closer relations with their customers. That greater interdependence has been marked by bigger, multi-year contracts, compared with the annual bidding battles of the past.

To play a part in this new world, however, a supplier has to be big, international and have deep pockets. Hence Federal-Mogul's interest in T&N. The two companies have similar, but complementary interests. Federal-Mogul specialises in precision parts, such as engine seals. T&N is big in bearings and other engine components, such as pistons.

At the shareholders' meeting, Mr Snell – who has a background in marketing and brand management with the likes of Procter & Gamble and SmithKline Beecham – made clear he wanted to expand Federal-Mogul's ability to provide entire engine "systems" to vehicle makers, as opposed to individual parts.



Dick Snell: the Federal-Mogul chairman sees growth as the only means of survival *Brendan Corr*

Among the "systems" identified were engine bearings, pistons and connecting rods, or overall sealing systems, including gaskets and covers. T&N makes an ideal fit in both.

The two companies also mesh well together geographically. Most of Federal-Mogul's business comes from the US; T&N offers a much more international, especially European, profile.

Mr Snell's core growth objective is underlined in company cards suggesting a "Big Hairy Audacious Goal" of $10bn in sales by 2002.

But his first priority has been to get Federal-Mogul itself into shape. The company suffered losses in both 1995 and 1996 on the back of an ill-considered move into parts retailing.

Earlier this year, Federal-Mogul announced plans to restructure its operations to cut costs and concentrate on its core manufacturing and distribution businesses.

Aftermarket operations have been the first casualty. Businesses in Australia, Turkey and South Africa have been sold, while others in South and Central America have been put on the market. Administration and staff functions have also been streamlined. The revamp announced in February envisaged shedding some 2,900 people from Federal-Mogul's 15,700-strong headcount.

The company said that the restructuring would take most of 1997 to complete, but proceeds from the sale of the retail operations have also already been used to pay down debt – by $143m in the first half of 1997. As a result, mid-year gearing stood at about 51 per cent. The stated target is a long-term debt to capital ratio of 40-45 per cent.

In spite of this recent balance sheet improvement, the proposed T&N deal would be large relative to Federal-Mogul's current size, and the US company has yet to reveal how it plans to finance the offer.

But the initial impression on Wall Street was that the merger, at the proposed price, would not necessarily be dilutive for Federal's earnings.

"They're very focused on minimising the cost of capital and have said that they want to make acquisitions which are additive to earnings," noted Ron Tadross, at Salomon Brothers.

One question is whether, in an effort to pay down part of the acquisition cost, Federal would sell on some assets. Analysts, however, seem to think that most of T&N would be attractive to Federal, and deem this unlikely.

A second issue is whether Federal's move might open a bidding war for T&N. Again, analysts point to the fit, and tend to play down the possibility.

"If this happens, it would be a very important first step in Federal-Mogul's plan to become a global original equipment supplier – I can't really think of many other people who would bid," said Mr Tadross.

Haig Simonian and Nikki Tait

Rising medical costs to hit Aetna's results

By John Authers in New York

Shares in Aetna, the largest health insurer in the US, dropped more than 10 per cent on Wall Street yesterday morning as the company warned that it would be taking a charge of up to $105m against its third-quarter earnings.

Aetna said that unforeseen rises in medical costs, arising from the integration of Aetna's ambitious merger with US Healthcare, the largest US health management organisation, which it acquired last year for $8.9bn, were to blame for the charge. However, the news helped push other health stocks lower.

It is the second time this year the company has had to tell the market that medical costs have risen ahead of expectations. Analysts said annoyance at the steady stream of bad news had probably contributed to the company's sharp share price decline yesterday.

Aetna's share price peaked at $117 in early August, and stood at $102¾ at the beginning of last week, before rumours that a profits warning was imminent forced the price lower. Yesterday, it fell $9⅝ to $81½.

Dick Huber, who took over as Aetna's chief executive earlier this year, described the integration as a "mammoth task", but admitted the company should have seen the extra costs earlier.

Aetna said the charge was created by two factors, both connected to the integration of US Healthcare. The first was a much higher level of unpaid claims than Aetna had realised, thanks to the integration of the two companies' claims offices. This has led to high staff turnover.

The second problem involves signing hospitals and physicians to new contracts, a process which is between three and six months behind schedule.

Gary Frazier, a managing director at Bear Sterns, suggested that the medical costs problem was specific to Aetna, and did not necessarily mean the rest of the industry would be affected to the same degree.

But he added: "The stronger message here is that none of the major acquisitions that have been made in the HMO industry over the last 18 months has lived up to expectations, in regard to the amount of synergies or earnings accretion which were originally anticipated."

Microsoft upgrades its internet browser

By Nicholas Denton and Louise Kehoe in San Francisco

Microsoft will today renew its efforts to gain the lead in the market for internet browser software with the launch of a new version of its Internet Explorer.

The launch is a direct challenge to Netscape Communications, the three-year-old company that pioneered software enabling personal computers to navigate the world wide web.

With Internet Explorer 4.0, the new version of its software, Microsoft is seen by analysts as having matched the capabilities of the Netscape Communicator suite of programs introduced three months ago.

The upgrade is expected to give a further boost to Microsoft's share of the browser market, which has grown from 3 per cent in 1995 to 31 per cent in the first quarter of 1997, according to Dataquest.

It will place renewed pressure on Netscape, which dominated the browser market with an 80 per cent share in 1995 but has since slipped to about 65 per cent, according to the market research company.

However, Netscape is already firing back. Yesterday the company demonstrated technology which it claimed was more advanced and easier to use than IE4.

The Netscape technology, code-named Aurora, gives users an integrated view of information drawn from multiple sources, enabling them to bring together easily files stored on a PC hard drive, electronic mail messages, content from the latest internet "push channels" and world wide web pages.

Aurora will be incorporated in a future version of Netscape's browser software to be introduced next year, the company said.

Similarly, Microsoft's IE4 gives users a single interface for navigating among web pages on the internet and files on their own personal computer.

It is this integration of information from multiple sources that is at the heart of the technology battle. Ultimately, Microsoft aims to make the internet browser part of its Windows operating system, while Netscape hopes to displace Windows with an operating system built on its browser software.

This explains the ferocity of the marketing battle over browsers, despite the fact that both companies provide free copies of their browsers to many users and thus derive limited revenues from the products.

Meanwhile, Microsoft has lined up several leading PC manufacturers and internet service providers to distribute IE4. One of the conditions of its recent $150m investment in the troubled Apple Computer was that Internet Explorer should become the "default" browser on the company's Macintosh PCs, making customers take extra steps to use Netscape software.

Netscape's browser retains a strong position among the intranets operated by big corporations, but Microsoft has been gaining ground in the consumer market, winning large corporate customers such as Chevron.

Ameritech in $610m buy

By Nikki Tait in Chicago

Ameritech, the Chicago-based regional telecommunications group, yesterday announced a sharp expansion of its security monitoring services business through the purchase of the security division of Wayne Huizenga's Republic Industries, for about $610m.

Like its parent, Republic Security Company is based in Florida, and a significant proportion of its 310,000 customers are in the south-east of the US. Ameritech said that this would augment its existing SecurityLink operations, which take in 566,000 customers across 49 states, but which are concentrated in the Midwest.

Ameritech, which began to diversify into the security business in 1994, said the deal would increase its security monitoring customer base by about 54 per cent, and give it nearly 900,000 customers.

At the end of 1996, the telecoms company ranked as the largest security services provider in Canada, and number two in the US behind ADT, which is part of the Tyco group. However, it has been jostling to hold on to that place as Western Resources, the Kansas-based utility, has announced a series of deals expanding its security operations.

Western, which was an unsuccessful bidder for ADT, is one of a number of utilities looking at diversification into the security services sector as deregulation takes hold in their own industry.

Dick Notebaert, Ameritech chief executive, yesterday, described the Republic deal as a "significant step" but said the company's plan was "to be the leader in this business".

Ameritech declined to comment on speculation that it might be poised to make a second acquisition in the security services area – that of the security interests of the Atlanta-based Rollins group.

AMERICAS NEWS DIGEST

Deutsche Bank in US funds move

The investment management division of Deutsche Bank, the big German commercial bank, is launching nine US mutual funds in an attempt to penetrate what is currently the world's largest and most profitable retail investment market. Unlike other European companies, Deutsche has decided to enter the US market through proprietary funds, rather than by attempting to acquire a US fund manager. Instead, it is adopting the much cheaper strategy already used by several large institutional fund managers in the US: it will offer funds based on bigger corporate funds which already exist.

All the US funds will be managed by the same portfolio managers that run their counterpart European funds, and will be "practically identical" in investment objectives and policies. Eight of the nine funds it is launching initially cover international investments, positioning the company to benefit from the growing interest among US consumers in overseas funds.

Deutsche manages $67bn in mutual fund assets in 150 separate funds worldwide. This makes it Europe's largest fund manager, although seven US companies have greater funds under management in equities and stocks alone.

The Investment Company Institute, the main trade association for the industry, also announced yesterday that the total assets of the industry had declined slightly in August, from $4,265bn to $4,220bn, mainly due to the decline in US share prices. It confirmed that cash flow into bond funds during the month was the highest since January 1994.

John Authers, New York

■ SOFT DRINKS

Coca-Cola reports sales surge

Coca-Cola said world-wide sales of its soft drinks had risen by a sparkling 9-10 per cent in the third quarter ending today, but the news appeared to do little to offset the gloom caused by its August profits warning. The group's shares were up $⅞ at $62¾ in early trading yesterday, still far below their 12-month high of $72¾.

Coca-Cola's long-term aim is to beat the rate of growth in the US soft drinks market and to increase volumes at a rate of 8-10 per cent outside the US. Yesterday it appeared set to achieve both targets in the third quarter, predicting that its world-wide volumes would come in at the top end of the target range and that US and North American volumes would show an increase of 6 per cent.

In August, however, Coca-Cola warned that third-quarter net profits would be little changed because of the strong dollar and a tough comparison with the year-earlier figure, when profits were boosted by gains on the sale of some big Coca-Cola bottlers in which it held stakes.

Richard Tomkins, New York

■ CEREALS

General Mills to close plants

General Mills, the Minneapolis-based cereals producer, yesterday announced a restructuring of its North American manufacturing operations, which will see it cut some 235 jobs and take a $115m-$120m after tax charge in 1998.

General Mills said it would close its Lodi facility in California, which employs about 50 people, and its two smallest plants in South Chicago and Etobicoke, Ontario. It said that these tended to operate technologies designed at making older, simpler cereals, whereas demand was increasing for products requiring more sophisticated manufacture – such as the new "French Toast Crunch".

The restructuring charge related largely to the write-down of assets, and the net cash outlay is likely to be about $21m after tax. Most of the charge will fall in the second quarter of 1998, with a small amount falling in the third quarter. General Mills put annual cost-savings from the restructuring at about $22m after tax, or about 14 cents a share.

Nikki Tait, Chicago

■ HOME APPLIANCES

Maytag in deal with TurboChef

Maytag, the Iowa-based home appliance manufacturer, is setting up an alliance with TurboChef, the smaller food-service company which specialises in high-speed cooking systems. Maytag said that the deal – which will see it fund research and development work by TurboChef – was aimed at developing and commercialising products based on the smaller company's technologies in heat transfer and control systems. The deal will also involve a cross-shareholding, costing each party $10m. As a result, Maytag will end up owning about 5 per cent of TurboChef's shares; TurboChef will hold less than 1 per cent of Maytag's stock.

Nikki Tait

■ CINEMAS

GC Companies expands

GC Companies, the Boston-based cinema group, said yesterday it would begin an international expansion plan by buying cinemas in Mexico and Argentina. The purchase, for about $36m from United Artists Theatre Circuit, comprises five operating multiplex cinemas and two under construction with a total of 79 screens. The 34 screens in Buenos Aires will be 100 per cent owned, while the four Mexican locations will be jointly held with a local partner. Robert Smith, GC's president and chief operating officer, said the company viewed Latin America "as an attractive and relatively untapped marketplace", and intended to commit "substantial resources" to international development over the next few years.

Stephen Fidler, Latin America Editor

Baby Bells feel the wind of change

A number of small operators are taking on the local providers on their home turf

Who said you can't make money competing with the monopoly Bell companies that dominate the US local telephone markets?

The pace of deregulation in this $100bn business has slowed to a crawl in recent months, beset by courtroom tussles which have stalled the implementation of important parts of the Telecommunications Act.

This hardly seems the place to invest large sums of money. Yet a host of smaller companies is pushing ahead with the construction of local networks, aiming to take on the Baby Bells on their home turf. So far, they have found capital readily available to back their plans.

The latest sign of this investment interest came last week from NTT, the big Japanese carrier. Prompted by reports in Tokyo, Teligent, a US start-up company, confirmed it was in discussions with NTT over a "potential strategic investment" – thought to involve 10 per cent or more of the US company.

Why would NTT, the world's biggest telecommunications carrier, be interested in backing such small fry in the vast US telecoms market?

The answer seems to lie in the success that some of these companies have already had in chipping away at the local calling business of the five Baby Bells. It also reflects a view that the very slowness of deregulation plays to these companies' strengths.

Teligent is one of a breed of companies known as competitive local exchange carriers, or CLECs. By building their own local exchanges, these companies plan to by-pass the networks of the Bells and other established local carriers, such as GTE.

Ownership of these facilities has begun to look increasingly attractive.

The Telecoms Act provided for would-be competitors to buy capacity wholesale from the Bells and resell it to their own customers. Most state telecoms regulators, however, have ordered only negligible discounts for these wholesale deals, and few carriers believe they can make a profit from resale.

By-passing the Bells altogether has come to seem an increasingly attractive option. "Even with favourable resale agreements, you don't want to cede your customers to the [Bells]," says Stephanie Comfort, a telecoms analyst at Morgan Stanley.

Building networks that duplicate the existing Bell infrastructure would take years, however, and cost tens of billions of dollars. It was this realisation that prompted AT&T to call off merger talks this year with SBC Communications.

The strategies of most CLECs reflect this. Many have targeted only business customers in large cities – the sort of high-revenue customers which can be wired into the network most easily and cheaply. Others have picked off small residential markets.

These ground-level attacks on the Bells' business look easier to sustain than a broad assault of the sort that a national carrier, like AT&T or MCI, would have to sustain. "It's very daunting when you look at it on a whole country basis," says William Cadogan, chairman of ADC Telecommunications, an equipment maker. "CLECs have looked at it city by city, where it appears more manageable."

It is hardly surprising, then, that AT&T is reported to be considering a different strategy for reaching into the local markets – franchising its name to smaller local carriers that are fast developing the networks that it could not afford to do alone.

The CLECs also enjoy some benefits over the established competitors that help explain the interest of companies like NTT. One is their newness: they do not suffer from the large sunk costs and limited experience of competitive markets that hamper the Baby Bells. The management team at Teligent, for instance, is led by a former AT&T president, Alex Mandl.

Mr Mandl said earlier this year that he expected to take Teligent public within a year. Other CLECs which are already publicly traded have seen a burst of enthusiasm for their stocks in the past six months – among them Teleport, Brooks Fiber, Winstar and McLeodUSA.

Wall Street seems to be betting that many of these companies will eventually become takeover bait for bigger carriers wanting to break into the local markets – and that they could provide a key to greater competition in US telecoms.

Richard Waters

Price range fixed for Telstra float

By Elizabeth Robinson in Sydney

The Australian government hopes to raise between A$12bn and A$14.2bn (US$8.7bn-US$10.3bn) from the sale of one-third of telecoms group Telstra – its biggest privatisation – according to the flotation prospectus published yesterday.

The government has set an indicative price range of A$2.80-A$3.30 a share, to be paid in two instalments. The range was within analysts' expectations, with many predicting the shares would open at a premium.

The first instalment for retail investors will be for A$1.95, a 5 cent discount to the institutional offer price of A$2. If retail investors keep their shares for a year, they will be entitled to a further 5 cent discount on the second payment of a maximum A$1.35.

The price for the retail offer has been capped at A$3.30, even if demand bids the price above this. The retail offer opens on October 15 and closes on November 3, while the institutional offer runs from October 27 to November 4.

The final price, which will be established during the bookbuilding process, is expected on November 16, a day before the proposed flotation.

Australian investors are guaranteed up to 70 per cent of the offer. Some 2.3m people have already reserved the prospectus, which entitles them to a bonus allocation of 50 per cent above the minimum 400 shares.

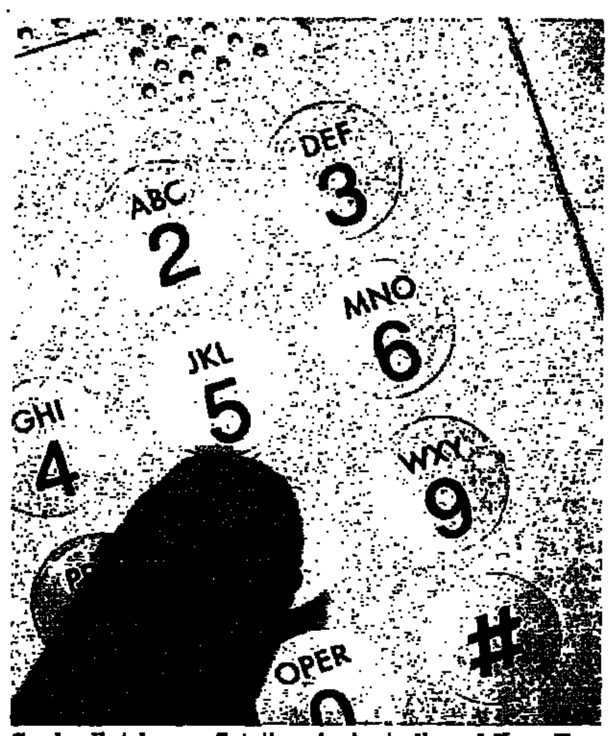
John Fahey, finance minister, said the government would not consider further sales of Telstra during this term in office.

Some A$1.15bn of proceeds from the sale will fund the National Heritage Trust, while another A$250m will go towards a Regional Telecoms Infrastructure Fund. The remainder will help pay off government debt.

Mr Fahey earlier this month suspended Daiwa Australia, one of the lead-managers of the float, because of its involvement in a scandal over alleged payments made by its parent to Japanese corporate racketeers. Daiwa's role, which was to handle the sale outside Europe and the US, will be shared by the other lead brokers.

The government estimates the cost of the sale, including fees, commission and advertising, to be about 2 per cent of the proceeds.

Telstra forecast net profits in the year to June 1998 of A$2.8bn, compared with A$1.62bn the previous year. However, Frank Blount, chief executive, warned yesterday he would not be surprised if Telstra's market share fell to about 60 per cent in the next five years from its current 80 per cent.



Good call: telecoms flotations in Australia and Hong Kong are set to raise up to US$10.3bn and US$3bn, respectively

HK 'core' for China Telecom

By John Ridding in Hong Kong

Some of Hong Kong's biggest business groups will form a core of strategic investors in China Telecom, the Beijing-controlled operator which is preparing to list on the Hong Kong Stock Exchange.

The names emerged as the roadshow for the listing started yesterday in Hong Kong. The issue is the largest to date by a mainland-backed company. With a price range of HK$7.75 a share to HK$10.00, it appears poised to raise more than US$3bn.

The strategic investors, which will hold a combined stake of just under 10 per cent in China Telecom, are set to include Cheung Kong and Hutchison Whampoa, the two flagships of Li Ka-shing's business empire. Henderson Land and Sun Hung Kai, two of Hong Kong's largest property developers, and New World Development, the territory's biggest investor in China, are also on the list.

In addition to the Hong Kong blue chips, China Everbright Holdings may hold shares in China Telecom. The mainland conglomerate, which is controlled by the state council, has emerged as one of Beijing's strategic investors in corporate Hong Kong. Earlier this year, China Everbright bought a stake of 7 per cent in Hongkong Telecom, the territory's dominant operator.

The business groups' stake represents just under half of the shares to be issued by China Telecom. Altogether, the company will issue shares equivalent to about one-quarter of its enlarged capital, with China's ministry of post and telecommunications retaining majority control.

As part of the issue, there will be a Hong Kong IPO of 144m shares and an offering of 90.38m American Depositary Shares to investors in Hong Kong and Asia. Each of these will be worth 20 China Telecom shares. In addition, 13.89m American Depositary Shares will be offered in the US, and 18.53m offered internationally. There are overallotment options for each tranche.

Goldman Sachs and China International Capital Corporation are global co-ordinators and bookrunners.

Kia workers begin strike

By John Burton in Seoul

An estimated 22,000 Kia car workers yesterday began a two-day protest strike as the creditor banks of the troubled motor group formally recommended that South Korea's eighth-largest conglomerate should apply for court receivership by next Monday.

The banks also ended a two-month grace period on debt payments by Kia, which has sought to stave off immediate bankruptcy by gaining court approval to freeze the debts and the assets of its main businesses to protect them from creditors. Kia has estimated debts of Won10,500bn ($11.5bn).

However, the banks said it was up to Kia to decide by next Monday whether it would accept the demand for court receivership or seek court protection.

Yesterday's strike paralysed Kia's main car plant, south west of Seoul. Workers fear that if Kia goes into court receivership it will be taken over, leading to job losses. They are demanding government intervention to rescue the group.

The banks' demands pose a dilemma for Kia. Under court protection, Kia would be able to reschedule its debts and retain management control. But the banks would be unlikely to grant more loans to the group, which could eventually force it into bankruptcy.

Under court receivership, the banks have indicated they would provide more loans once new managers are appointed. But this option leaves Kia vulnerable to being broken up and sold to other conglomerates.

Kia said it preferred court protection because it hoped to raise capital through asset sales during the next few months to solve its immediate credit crunch.

Some analysts also believe Kia is hoping to delay the resolution of the crisis until after the presidential election. Kim Dae-jung, the main opposition leader, is the favourite in the campaign and has vowed to help rescue Kia if he is elected. In contrast, the present government has supported the banks in favouring court receivership for Kia.

Hitachi in China PC link

By Michiyo Nakamoto in Tokyo and James Harding in Shanghai

Hitachi, the Japanese electronics group, and Legend, China's leading manufacturer of personal computers, are linking to develop, manufacture and market low-cost PCs, and supply each other with PCs and related equipment.

The alliance brings together Hitachi's technology, particularly in components, and state-owned Legend's design capability, low production costs and knowledge of the Chinese market.

It represents a significant push by a Japanese PC maker into the fast-growing Chinese market. Japanese PC makers have been relatively slow to enter China, in spite of its geographic proximity and common use in both countries of ideograms. NEC has been manufacturing PCs in Shanghai in a joint venture with Changjiang Computer, but local manufacturers and US groups dominate.

"Legend has the largest market share in China, so co-operation with the company is a good way to understand what is required to succeed in China," Hitachi said.

Legend, China's largest supplier of computers, forecasts sales of 400,000 units this year. It has a 9.9 per cent share of the Chinese market, according to Hitachi.

Sales of PCs in China rose 41 per cent in the first half of last year, according to Dataquest, the market analysts, and the market is expected to grow from about 3m units to 10m units in the year 2000.

Legend hopes to gain technological expertise in areas such as liquid crystal displays. The alliance "will help Chinese customers to keep in touch with advanced technology without delay, and we will be able to enter the core area of computer manufacturing technology," said Zeng Mao Chao, Legend group chairman.

As a first joint development, the companies plan to launch a desktop PC with a LCD monitor and a Pentium or similar microprocessor priced at less than $1,000.

ASIA-PACIFIC NEWS DIGEST

Toyota lifts Hino stake to 20.1%

Toyota is increasing its stake in Hino Motors, a truck maker in the Toyota group of affiliated companies, from 16.4 per cent to 20.1 per cent. The move follows an earlier step in March, when Toyota raised its stake in Hino from 15.5 per cent.

The decision indicates a consolidation of truck production within the Toyota group, noted Mr Edward Brogan, industry analyst at Salomon Brothers in Tokyo.

Both Toyota and Hino had been making small trucks, but Toyota has shifted production of 3.5 tonne trucks to Hino. This is a segment in which Toyota has not been very successful, and in exchange for the transfer of some production to Toyota, the carmaker has been increasing financial support to Hino by raising its stake.

Japanese truck makers will need significant investment because new rules on emissions, which will come into effect in stages beginning next autumn, will require new engines.

In addition, Mr Brogan pointed out, the Japanese market is dominated by two large manufacturers, Isuzu and Mitsubishi Motors, and truck makers therefore require economies of scale in order to made adequate returns.

Michiyo Nakamoto, Tokyo

■ INDONESIA

Barito Pacific ahead at halfway

PT Barito Pacific, the Indonesian timber company, reported a 37 per cent rise in first-half net profits and said it had emerged almost unscathed by forest fires that have hit the country and contributed to the smog crisis afflicting the region.

Barito Pacific said net profits were Rp50.88bn ($16m), compared with Rp37.16bn in the 1996 first half. Sales rose 14 per cent to Rp488.54bn from Rp427.94bn. Earnings per share were Rp36, up from Rp27.

The company said only 1,000 hectares, of a total of 2.3m ha in forest concessions and 700,000 ha in plantations, had been damaged by the fires that have swept Sumatra, Kalimantan, Sulawesi and Irian Jaya in recent months. Estimates of the damaged area range from 300,000 ha to 600,000 ha.

Barito said it had benefited from a recovery in plywood prices in 1996. The company's first pulp and paper plant, with capacity of 500,000 tons, would start operating in two years and had already been financed through a share issue, it said.

Sander Thoenes, Jakarta

■ HONG KONG

HKSE considers listing applications

The Hong Kong Stock Exchange said yesterday it was currently processing a total of 24 cases applying for a listing in Hong Kong. All the companies had submitted advance booking forms for equity and debt securities – known as A1 forms – and furnished all necessary information, it said.

Another 24 companies have been approved by the listing committee of the exchange but still not yet listed, it said.

Another six companies have submitted A1 forms but their case were either inactive or on hold, it added.

The exchange said it had also received preliminary enquiries from 11 companies but A1 forms had not yet been submitted.

Reuters, Hong Kong

Shares in Reed Elsevier fall again

By John Gapper, Media Editor

Reed Elsevier, the Anglo-Dutch publishing operation, yesterday lost a further £900m ($1.5bn) from the combined market value of its two holding companies following the discovery that circulation of some of its travel titles had been exaggerated.

The fall in the shares of Reed International in London, and Elsevier in Amsterdam, brought the total fall in value of the two companies to £1.7bn since it announced the discovery of irregularities in its travel division on Friday.

The company said it believed uncertainty over the size of the final bill had led to a disproportionate reaction to the announcement that it was investigating an apparent inflation of circulation figures going back to 1991.

Reed's shares closed 29.5p down at 507p, cutting its value to £5.8bn from a £6.7bn value on Friday morning.

Elsevier's shares were Fl 2.50 off at Fl 28.30, reducing its value from Fl 22.7bn (£7bn) on Friday morning to Fl 19.20bn (£6.2bn).

The problem is thought to have been caused by progressive overstatement of the circulation of titles such as Official Airline Guide and Hotel & Travel Index since 1991. These titles have suffered from falling circulation.

Reed has said it intends to pay recompense to advertisers including US airlines that have advertised in publications on the basis of exaggerated circulation figures.

US airlines said they were awaiting further details of its offer.

Mr Nigel Stapleton, co-chairman of Reed Elsevier, said no staff had been suspended and it was "too early" to consider possible action against other parties. Verified Audit Circulations, a Californian circulation audit company, was responsible for auditing some of the figures.

Reed Elsevier's investigation into irregularities is being led in London by the law firm Freshfields and in the US by the law firm Davis Polk and Wardwell.

It is about to appoint a firm of accountants to assist in the process.

There have been worries that Reed Elsevier could face legal action from advertisers in the publications. It both supplies travel data to, and receives advertising revenue from, big airlines with their own travel services.

NatWest restructures $5bn loans

By Simon Davies, Capital Markets Editor

National Westminster Bank yesterday announced that it is restructuring $5bn of corporate loans, selling them on to investors as securitised bonds.

The move is part of the UK bank's strategy of reducing the capital tied up in its troubled investment banking arm, NatWest Markets.

The deal involves restructuring loans to about 200 large businesses, primarily clients of NatWest Markets.

Derek Wanless, NatWest's chief executive, announced in August that NatWest Markets would reduce its weighted risk assets by £4bn ($6.44bn) this year and £6bn in 1998, after the investment bank produced pre-tax losses of £22m in the first half of the year.

Andy Clapham, head of asset securitisation at NatWest, said: "These loans are all deemed investment grade or better, so the margins are very thin and the return on capital for NatWest is low. It makes sense to reinvest the capital in higher-yielding businesses, while maintaining the corporate relationships we have with borrowers."

NatWest launched another $5bn loan securitisation last year, the first time a bank had securitised a high quality loan portfolio. Earlier, bank securitisations in Europe had tended to be for problem loan portfolios.

Since then, securitisation has been used for refinancing assets as diverse as rolling stock, leasing companies and pubs.

There was some concern among corporate clients at the time of the first NatWest securitisation that they would be disadvantaged by the deal. "It is always a concern for a borrower to give away control over the timing and amount of his borrowings," said Mr Anthony Stern, corporate treasurer at Bass, the UK brewer.

However, NatWest has guaranteed the anonymity of the clients whose loans are to be securitised, and the bank will continue to administer the loans. It should therefore have no impact on borrowers' ability to raise more money on the capital markets.

Even in the event of a default, NatWest has committed to dealing with any restructuring in accordance with its existing business practice. Nationsbank and SBC Warburg have since launched similar issues.

The latest securitisation, named Repeat Offering Securitisation Entity Funding No. 2 (Rose No. 2), accounts for less than 10 per cent of NatWest Markets' weighted risk assets, so the bank has considerable scope for further issues.

There was some speculation that NatWest had struggled to sell the first Rose issue, but Mr Clapham said it had been many times oversubscribed.

Rose No. 2 will be sold in seven tranches, comprising senior, mezzanine and junior debt. The capital freed by the securitisation is likely to be used for share buy-backs.

McKechnie eyes foreign buys

By Peter Marsh

McKechnie, the specialist engineering group, said yesterday it was looking at potential acquisitions worth up to £100m ($160m) with an emphasis on US and south-east Asia.

In the year to July 31, pre-tax profits increased 2.6 per cent to £51.6m, excluding a £4m exceptional loss on a cancelled contract in the US, announced six months ago.

Sales rose 11.3 per cent to £650.6m (£584.6m).

Andrew Walker, chief executive, said orders in the first two months of the current year were "above budget".

However the company, which gains half its sales from outside Britain, warned that the effects of sterling's strength could clip up to £5m from its profits for the full year.

Mr Walker, presenting his first full-year results since taking over the top job in March, said the cost to profits from sterling's strength in the second half was £1.2m. The figure would have been higher but for the company's policy of operating worldwide plants and selling locally.

McKechnie is concentrating in its search for acquisitions on businesses that would fit in with its two "high-tech" divisions. One of these is specialist products, including aerospace fasteners and special metals, which last year turned in a 41.7 per cent increase in profits before interest to £28.9m.

The second is engineered plastics, including vehicle parts, which saw a 26.1 per cent rise in profits before the exceptional item to £23.2m.

The third division – consumer products, which include window fittings and bathroom parts – fared less well, seeing a 47.4 per cent fall in operating profits to £8.1m. This was mainly on the back of a poor trading performance in Australia.

Earnings per share fell 2.4 per cent to 37p (37.9p). An increase in the final dividend to 13p (12p) makes a total for the year of 19.5p, an increase of 8.3 per cent.

The shares rose 2½p to 500p.

Lydia van der Meer

Andrew Walker (right): current orders 'above budget'

MetLife agrees £175m disposal

By Christopher Brown-Humes

Consolidation in the UK life assurance sector took a further step yesterday when Metropolitan Life of the US, one of the world's biggest financial services companies, agreed to sell its UK insurance operations to Canada Life. The deal is understood to be worth about £175m ($282m).

Canada Life said the acquisition would put it in top 20 in the UK life and pensions market, with a 1.5 per cent market share. Funds under management would increase from £3.7bn to £6bn. Policies in force will rise by 61.5 per cent to 735,000.

The three units being acquired are Albany Life, Albany International in the Isle of Man, and Metropolitan Unit Trust Managers. Last year, the operations generated single premiums of £349m and regular premiums of £76m.

Analysts said that, given the scale of its UK activities, MetLife had faced a choice between acquiring or selling out. It decided to sell in order to focus on Latin American and Asian markets.

Ian Gilmour, a Canada Life vice-president, said that the purchase would increase the size of the company's direct salesforce from 500 to 850 people, making it one of the 10 largest in the UK.

It would also strengthen the group's presence in the independent financial advice market and add to its product range. Canada Life specialises in life and health protection products, while Albany Life is an investment and pensions specialist.

"This deal underscores our commitment to the UK," Mr Gilmour said. He noted that Albany's existing business was profitable, but in new business it had "struggled to wash its face".

Synergies will come at the head office level. About 140 job losses are forecast by the end of 1999, largely through natural wastage.

Five senior Albany Life executives will lose their jobs.

Analysts expect the UK life sector to consolidate further, driven by intense competition, cost pressures and financial weakness among some participants. With about 100 companies and mutuals, the market is more fragmented than in other big European economies.

John Dean, director of Fox-Pitt, Kelton, which advised MetLife on the deal, said: "All the UK life companies need to achieve critical mass to compete effectively, and we had a large number of potential bidders, reflecting this level of interest. The pace of change is accelerating."

Close Brothers registers 23% rise

By Jane Martinson, Investment Correspondent

Close Brothers, the UK's third largest merchant bank, lifted annual pre-tax profits 23 per cent to £55.4m ($89.2m), helped by growth in all three of its divisions.

Rod Kent, managing director, said the outlook was good, in spite of his continued concern about the level of the UK stock market.

He believes the bank's range of services – asset finance, marketmaking, corporate finance and asset management – will soften the impact of a downturn as they benefit from different stages of the economic cycle.

"Balance is one of our watchwords. We are trying to be in diverse sectors, businesses and types of income."

He said the group continued to look for small bolt-on acquisitions in niche areas. However, there were "not too many acquisitions which satisfy those criteria".

Operating income rose 30 per cent to £133.7m (£102.6m) in the year to July 31. Total operating costs increased 36 per cent to £78.3m (£57.5m).

Fee income as a percentage of the total rose from 15 per cent to 24 per cent, mostly as a result of the acquisition last year of Hill Samuel's corporate finance team. Mr Kent said the new team had won about 14 net new clients in the year.

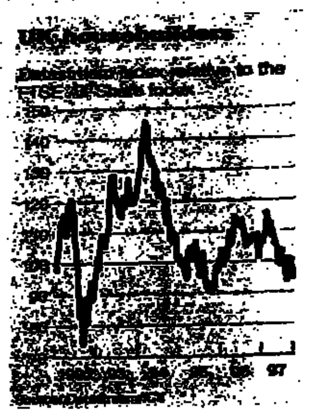
Winterflood Securities, the marketmaking arm which focuses on small companies, provided 38 per cent, or £45.6m, of group operating profits, up from 35 per cent.

Asset finance, the largest business, contributed 38 per cent of operating profits, or £54m, down from 45 per cent.

Earnings per share rose 20 per cent from 24.8p to 29.8p. A final dividend of 8.2p makes a total of 12p (10p).

LEX COMMENT

Housebuilders



Why are Britain's housebuilders so out of favour? The fundamentals are excellent: volumes and prices rising, inflation under control, and more of the same predicted. No wonder brokers are upgrading forecasts. Yet the investment community remains deaf to the story – housebuilders have underperformed the market by around 15 per cent over the past year, with even the better companies not exempt. Political uncertainties and fears of higher interest rates have played a part. But the main impediment, after the boom-bust cycle of the 1980s, is a deep-seated scepticism about earnings quality. Add to this the sector's chequered managerial track-record, and its small size – a cumulative market capitalisation of only £5.5bn – and it is easy to see why it might be ignored.

Easy, but mistaken. The error investors are making is to fight yesterday's battles – at two levels. First, given the current macroeconomic climate a repeat of the 1980s boom-bust housing market is unlikely to evolve, or be tolerated. Second, profits are being built not on the shifting sands of price inflation but on hard-won margin gains. As such, they reflect better management, which makes them replicable and therefore of higher value.

Risks remain, of course, particularly that some companies will overpay for land. But the better operators, such as Beazer Group and Barratt Developments, are largely insulated from this danger. There is good value in the sector.

NEWS DIGEST

Newsquest aims for £540m value

Newsquest, the regional newspaper group, said yesterday it was willing to make further acquisitions to increase its presence in the local newspaper market following its flotation later this month, but had no targets in mind.

At the flotation announcement, the directors said the group would have a market value of about £540m ($870m). The share offer will total £200m, comprising a £100m placing, and £100m of new money.

Newsquest said its indicative offer price in the flotation being underwritten by SBC Warburg and Merrill Lynch would be between 250p and 290p a share.

It forecast pro forma turnover and adjusted operating profit for the year to December 31 of not less than £277.1m and £67.3m respectively. This equates to earnings per share not less than 16.9p, compared with 11p last year.

Jim Brown, chairman, said the company had "no targets at the point" despite suggestions that it might be interested in the regional newspaper operations of United News & Media. The shareholding of Kohlberg Kravis Roberts, the US investment group, is to fall to 43 per cent, and that of Cinven to 15 per cent if the company floats at the mid-price. Senior managers will hold a stake of about 5 per cent.

John Gapper

Wendy's seeks partners

Wendy's International, the world's third-largest hamburger chain, is looking for partners in the UK and continental Europe as part of a fourfold expansion in its network outside the US.

Executives from the company, in the UK this week to meet analysts and investors, said it expected to add up to 150 restaurants this year to the 564 in its international arm. Within five years, they expect to have more than 2,000 outside the US. In Europe, the main focus is on the UK, Greece and Turkey, where the company hopes to increase its growth rate by converting local fast-food chains to Wendy's. Analysts suggested yesterday that possible targets would be Quick's, the Belgian-owned chain, and Wimpy of the UK.

Wendy's is also interested in joint ventures with leisure companies such as Bass. And it could follow McDonald's and Burger King, the two leaders, into partnerships with motorway service station operators.

John Willman

BG gives buy-back details

BG, the UK gas utility, yesterday confirmed its planned capital reorganisation would reduce its market capital by 11.8 per cent, as it told shareholders details of its £1.3bn buy-back – one of the UK's largest ever.

Investors are being offered a B share, which can be sold to BG for 80p cash, for each ordinary share owned on October 31. This represents about 11.8 per cent of a market value of 259p per BG share on September 18, adjusted for the 4p interim dividend. Every 17 ordinary shares held will be replaced with 15 new ordinary shares. This means investors will receive 15 new ordinary shares plus 510p for 17 BG shares.

Virginia Marsh

Siebe links with Dow

Siebe, the UK engineer, yesterday struck a long-term alliance with Dow Chemical in which Siebe's control systems business Foxboro would become the sole preferred supplier for Dow's plant automation systems.

Foxboro gave no details of the financial impact on either group, but said this would be one of Foxboro's largest partnerships, and differed from other alliances in that it would effectively be an outsourcing deal.

PacifiCorp aims to revise Energy bid

By Simon Holberton in Portland

PacifiCorp, the Oregon-based electric utility whose bid for The Energy Group has been referred to the the UK's Monopolies and Mergers Commission, will try to renegotiate its £3.65bn ($5.87bn) offer if it is allowed to go ahead.

"If it's favourable, I want to go back to the table and renegotiate a deal," Fred Buckman, chief executive, said in an interview.

The company made its 690p a share cash offer for Energy Group in June. It lapsed on the MMC referral in early August.

"I know there is an expectation that we'd have to pay more than 690p, but I could put together arguments why the referral has reduced the value of the Energy Group," he said. "But this is something to be discussed between me and Derek Bonham [executive chairman of The Energy Group]." Energy Group owns Peabody Coal in the US and the Eastern electricity distribution and generating group in the UK.

The bid for the former Hanson unit had already cost PacifiCorp $110m, including a $65m write-off for currency losses which may decrease as the pound weakens.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 30.09.97 / Final Prices for Trading on 02.09.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	14.74	15.38	15.57	0.85
0100	14.74	14.69	14.88	0.85
0130	14.74	14.69	14.88	0.85
0200	14.74	14.69	14.88	0.85
0230	14.74	14.69	14.88	0.85
0300	14.74	14.69	14.88	0.85
0330	14.74	14.69	14.88	0.85
0400	14.74	14.69	14.88	0.85
0430	14.74	14.69	14.88	0.85
0500	21.32	14.69	14.88	0.85
0530	10.34	11.76	11.95	0.85
0600	10.41	11.76	11.95	0.85
0630	10.46	11.76	11.95	0.85
0700	16.23	14.91	15.10	0.85
0730	19.06	15.58	15.77	0.85
0800	20.33	22.55	22.74	0.85
0830	20.36	23.43	23.63	0.85
0900	20.42	27.35	27.54	0.85
0930	20.47	27.37	27.56	0.85
1000	27.36	27.38	27.60	0.85
1030	27.35	27.38	27.60	0.85
1100	27.35	26.91	28.13	0.85
1130	27.40	27.41	27.64	0.85
1200	27.45	27.45	27.69	0.85
1230	27.43	40.23	40.46	0.85
1300	20.48	40.19	40.42	0.85
1330	20.39	27.35	27.58	0.85
1400	19.78	23.29	23.49	0.85
1430	19.68	23.26	23.46	0.85
1500	19.65	23.26	23.46	0.85
1530	19.65	23.26	23.46	0.85
1600	19.67	23.31	23.53	0.85
1630	23.25	27.42	27.65	0.85
1700	23.29	35.85	36.10	0.85
1730	23.27	35.82	36.08	0.85
1800	23.22	30.75	30.96	0.85
1830	20.59	23.99	24.18	0.85
1900	20.87	23.97	24.17	0.85
1930	36.15	23.97	24.16	0.85
2000	38.24	23.98	24.17	0.85
2030	30.56	35.69	35.89	0.85
2100	20.66	35.69	35.88	0.85
2130	20.56	29.98	30.17	0.85
2200	20.54	29.98	30.17	0.85
2230	19.44	18.66	18.85	0.85
2300	16.23	15.58	15.77	0.85
2330	15.35	15.49	15.68	0.85
2400	15.64	15.49	15.68	0.85

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

RESULTS

Company	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ascot	6 mths to June 30☆	129.7	(32.7)	13.3	(1.2♠)	13†	(4.8)	3	Nov 7	-	3.9§§	-
BBS Design	Yr to April 30	0.97	(1.04)	0.059L	(0.233♥)	0.71L	(2.81)	-	-	-	-	-
Bilton	6 mths to June 30	12.3□	(12.4□)	8.86	(9.2)	6.95	(7.19)	3	Dec 2	2.89	-	10.59
Brunel	Yr to June 30	142.2	(188.3)	5.43L♠	(20.9L♠)	6L	(17.8L)	0.5	Mar 3	0.5	0.5	0.5
Cap & Regional	6 mths to June 24	11.4□	(7.93□)	3.52	(2.52)	5.9†	(5)	1	Nov 21	1	-	3
Close Brothers	Yr to July 31	-	(-)	55.4	(45.1)	29.8†	(24.8)	8.2	Nov 3	6.8	12	10
Flare	6 mths to June 30	19.2	(10.7)	1.22	(0.717)	3.6†	(2.8)	nil	-	nil	-	1
Gander	6 mths to July 31	1.19	(0.651□)	0.07♠	(0.208)	0.02	(0.06)	-	-	-	-	-
Maiden	6 mths to June 30★	32.2	(26.8)	4.76	(2.84♠)	8.2†	(6)	2	Nov 28	-	-	3.6
McKechnie	Yr to July 31	650.6	(584.6)	51.6♠	(50.3)	37	(37.9)	13✱	Jan 2	12	19.5	18
Northern Leisure	Yr to Aug 31	34.7	(26.9)	8.52♠	(5.51)	12.3†	(9.8)	3.5	Dec 1	2.25	6	4.25
Oasis Stores	6 mths to July 26	39.6	(33)	3.68	(5.19)	4.7	(6.47)	2.4	Nov 7	2.1	-	7
Pilat TechnologiesΦ	6 mths to June 30	8.27	(6.44)	0.554	(0.521)	1.7†	(1.6)	-	-	-	-	-
Presbick	Yr to Aug 3	41.5	(38.6)	1.85	(1.81)	3.24	(3.15)	0.7	Dec 10	0.5	1	0.5
Primary Health Φ	Yr to June 30	0.53	(0.082)	0.675	(0.17)	3.33	(0.79)	2	Dec 5	-	3.2	-
Property Trust	Yr to Mar 31	3.93	(2.81)	1.3♥	(0.726)	2.87†	(2.1)	-	-	-	-	-
Ricardo	Yr to June 30	94.7	(101.7)	14L♠	(4.7♠)	33L	(5.9)	4.3	Nov 28	4.3	6.3	6.3
Riva	6 mths to June 30	32.7	(32.3)	0.19	(0.905L)	0.3	(3L)	-	-	-	-	-
Salehurst	6 mths to July 31	15	(13.6)	1.11	(0.286♠)	6.27†	(1.68)	2	Oct 17	-	-	-
Sample Cochrane	Yr to June 30	32.1	(20.7)	1.32	(0.905)	12.6†	(10.7)	1.8	Nov 28	-	1.95	-
Shoprite	28 wks to July 12	20.6	(19.2)	1.07	(0.958)	1.36	(1.21)	nil	-	nil	-	nil
Soccer Inns Φ	6 mths to July 31	-	(-)	0.1	(-)	6.9	(-)	-	-	-	-	-
Streamline	6 mths to June 30	79.3	(74.8)	5.73	(4.14♠)	6.3†	(4.8)	3	Oct 31	2.8	-	8.6
Trace Computers	Yr to May 31	17.3	(20.5)	0.635♥	(5.14L♠)	3.35	(35.86L)	nil	-	nil	nil	nil

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BZW Convertible	Yr to July 31 ★	117.29	(114.41)	4.7	(4.57)	9.19	(8.93)	3.3	Oct 29	3.3	7.8	7.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☆Comparatives for six months to September 30 1996. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §§For nine months to December 31 1996. □Rental income. ★Comparatives restated. ✱Foreign income dividend. ΦAim stock.

INTERNATIONAL PEOPLE

Shake-up at Sotherby's

Simon de Pury, 46, one of Europe's best-known art auctioneers, is following his older brother into the investment world. However, unlike David de Pury, a former co-chairman of ABB who formed his own investment banking boutique, Simon de Pury is setting up a fund to invest in art.

De Pury steps down as chairman of the European operations of Sotheby's, one of the world's biggest auction houses, at the end of October, and, along with Daniella Luxembourg, 47, deputy chairman of Sotheby's Switzerland, is establishing de Pury Luxembourg, to be known as dPL. It will deal in 19th and 20th century paintings and will have offices in Geneva and New York.

De Pury, who joined Sotheby's in 1986 after eight years looking after the art collection of Baron Hans Heinrich Thyssen-Bornemisza, a Swiss billionaire, is being backed by a number of private collectors who have also asked him to set up an investment fund. The names of his backers are secret and so is the size of the proposed fund, but de Pury, one of the best-connected figures in the art world, has the advantage of knowing where most of the world's valuable paintings are hidden.

De Pury's entry into the investment business comes only months after Sotheby's handled the final sale of the British Rail Pension Fund's ill-fated flirtation with the art market. It began investing in the early 1970s and although it made money, its managers felt the returns did not justify the high cost of insuring and maintaining the art collection. De Pury says he is well aware of the dangers of treating art purely as an investment.

He will be replaced as chairman of Sotheby's Europe by Henry Wyndham, a 44-year-old Old Etonian, who joined Sotheby's from its rival Christies, a few years ago.

William Hall, Zurich

Rupert takes over at Gold Fields

Johann Rupert, chairman of South Africa's Rembrandt group, will take over as chairman of Gold Fields, the world's third-largest gold producer, on October 21.

The move comes six months after Rupert joined the board of Gold Fields, where he has launched talks which could install Cyril Ramaphosa, the former secretary-general of the ruling African National Congress, at the helm of the mining house.

As chairman of Rembrandt, which currently controls Gold Fields, Rupert has urged reforms to repair industrial relations and improve productivity among the industry's predominantly black labour.

His offer to share joint control of Gold Fields with New Africa Investments, the country's biggest black-controlled company, where Ramaphosa is deputy chairman, is expected to herald a further spate of consolidation in the mining sector.

Rupert will replace Robin Plumbridge, Gold Fields' 62 year-old chairman, who intends to retire. But his decision to serve in a non-executive capacity raises new questions about the likely position of Ramaphosa, if the deal goes ahead.

Ramaphosa, a past president of the National Union of Mineworkers, is keen to return to the mining sector following his defeat in the bidding for control of JCI, the mining group sold last year by Anglo American to black investors.

In addition to his role at New Africa, Ramaphosa currently sits on the board of Anglo American, which holds 26 per cent of Gold Fields at an operating level and has been gradually increasing its stake.

Both mining houses are currently exploring the possibility of closer ties, and with bullion prices at a 12 year low, the former trade unionist is seen by friends as the likely conduit for deals to extend the life of ailing mines.

Mark Ashurst, Johannesburg

Dexter to head Wellcome Trust

Mike Dexter, director of the UK's Paterson Institute for Cancer Research in Manchester, has landed potentially the most powerful job in British biomedical research: running the Wellcome Trust. He will succeed Bridget Ogilvie when she retires next year as director of the trust, the world's wealthiest research charity.

Dexter has spent his whole professional life – apart from the obligatory research year in America – at the Paterson Institute. He joined the staff as an 18-year-old laboratory technician, studied biology as a mature student at nearby Salford University, obtained a PhD at Manchester University, and then rose through the scientific ranks at the institute.

He was appointed the Paterson's director only three months ago, at the age of 52. His research has focused on leukaemia. Recently, he has become involved in experimental gene therapy.

The Wellcome Trust is one of the two organisations that sets the agenda for biomedical research in Britain. The other is the state-funded Medical Research Council. Although the MRC and Wellcome have similar budgets the trust has greater freedom of action because it is an independent charity rather than a government agency.

He will inevitably assume a high profile in British science policy circles. Ogilvie has campaigned for better government funding for university research – and made sure that Wellcome's wealth is used to supplement the basic state support with project and programme grants, rather than to prop up the creaking infrastructure.

Clive Cookson, London

ON THE MOVE

■ Euroclear, the securities settlement house, has appointed Peter van de Graaf to head its new office in Singapore. Van de Graaf will move there from Hong Kong where he has spent the past year helping build-up Euroclear's client service activities in the Asia-Pacific.

From Singapore he will cover clients in south east Asia, leaving the Hong Kong operation to concentrate on the greater China region alongside Australasia. The move is a further indication of the regional fragmentation of financial markets in Asia with Singapore developing as a hub for south east Asia.

But it also reflects growing overall levels of securities trading in that part of the world. Euroclear says 700 of its 2,400 subscribers are located in Asia, its fastest growing region. The Singapore opening is part of Euroclear's plan to develop 24-hour real-time settlement of securities transactions.

■ ROLLS-ROYCE has appointed James Guyette president and chief executive of Rolls-Royce North America. He joins from United Airlines where his last position was executive vice-president marketing and planning. He succeeds John Sandford.

■ The European oil products and services division of the BP-MOBIL association has appointed Michel de Fabiani, 52, its new head. He will be responsible for all BP-Mobil refineries and service stations in 45 European countries. De Fabiani has been president of BP France since 1995 and is also director of BP Oil Europe's European and national affairs in Brussels. He replaces Peter Backhouse who has been appointed BP Oil's deputy chief executive in London.

■ Nick Howell has been appointed director, new issues, at ANZ INVESTMENT BANK, the investment banking arm of Australia and New Zealand Banking Group. Howell will be responsible for debt origination across Latin America. He joins from DKB International.

■ LEHMAN BROTHERS has appointed Heidi Crebo director of Russia and former Soviet Union debt capital markets. She joins from Merrill Lynch where she did a similar job.

■ SEGA FRANCE has appointed Philippe Deleplace managing director. He was formerly director of marketing at the French subsidiary of the Japanese video games specialist. He replaces Bruno Charpentier who has left to become commercial director of the consumer division of Bouygues Telecom.

■ FOURNIER, the French pharmaceuticals company, has appointed former health minister Elisabeth Hubert managing director, France, and managing director of the urology subsidiary, Debat.

■ Philippe Bories, 33, has been appointed deputy director of corporate finance at Schroders in Paris. He was previously an adviser to industry minister Franck Borotra.

■ State-owned KRUNG THAI BANK has named permanent secretary for finance Supachai Pisitvanich its chairman. Pisitvanich's predecessor Chatumongkol Sonakul resigned in August.

■ EGON ZEHNDER INTERNATIONAL, the world's fourth largest executive recruiter, has announced that Anthony Brown and Carter Burgess have joined its New York office as consultants. Brown was managing director of the management consulting group at Bankers Trust. Burgess joins from Salomon Brothers.

■ PHILIPS SEMICONDUCTORS has appointed Charles Bartlett to the new position of vice-president of WORLDWIDE DISTRIBUTION. He will be responsible for Philips Semiconductors' distribution activities throughout the world. Before joining Philips Semiconductors, Bartlett spent 15 years with national Semiconductor.

■ AMP ASSET MANAGEMENT, the global pension fund manager, has appointed Nick Hadow director, Asia, to expand its marketing efforts in the Far East and Middle East. Hadow joins from ING Barings.

■ Robert Graffam has joined DARBY OVERSEAS INVESTMENTS, as a managing director with responsibility for developing and implementing emerging markets corporate lending and other mezzanine financial products. Until recently, Graffam served as the director, treasury, syndications and financial policy department of the World bank group's private sector affiliate, the International Finance Corporation.

■ JOHNNIE D. JOHNSON & CO., the investor relations consulting firm based in New York, has appointed Francois Botha a managing director, based in Atlanta, Georgia. Lois Brown will be a managing director in the firm's New York office. Bryan Crane will become managing director in the firm's Los Angeles office.

■ Carter Pilcher has joined BANKERS TRUST as a vice-president and relationship manager in its Emerging Europe, Middle East and Africa Merchant Bank. Prior to joining Bankers Trust, Pilcher was a legislative director in the office of the US Senator Hank Brown.

■ Sheila Schroeder has joined ING BARINGS as senior vice-president and manager of its office in San Francisco. Prior to joining ING Barings she was head of the Asian equity desk at Lehman Brothers in New York and last year moved to its San Francisco office to start up the international desk.

■ Simon Brown, enterprise sales and alliance manager at MICROSOFT has joined Microsoft's main board as director of the enterprise customer unit. He replaces Simon Witts who is moving to become general manager of Microsoft Canada. Microsoft has appointed Mark Taylor director for Microsoft's OEM Channel.

■ ANZ INVESTMENT BANK has appointed Philip Koh director origination, Singapore. Sinbad Coleridge has been appointed an executive director, and Scott McInnes head of project finance, Asia Pacific and Australasia, of its global structure finance division.

■ SALOMON BROTHERS has appointed Peregrine Winfield cement and construction analyst for Latin America.

■ Wolfgang Heinrich has been named executive vice-president of regional relations at VISA INTERNATIONAL.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

هكذا من الأصل

Prices weaken ahead of economic data

GOVERNMENT BONDS

By Simon Davies and Edward Luce in London and John Labate in New York

Government bond markets were weaker in quiet trading yesterday, after the frenetic activity of last week.

There were some signs of nervousness in the lead-up to a busy week for economic data, culminating with the September non-farm payroll figures from the US on Friday.

The UK GILTS market calmed down a little after the euphoric rally last Friday.

However, economists said that rally, which was prompted by reports that the UK government had softened its stance towards European monetary union, was by no means just a blip on the radar screen.

"The long-term trend is towards convergence of gilts," said Alison Cottrell, chief economist at Paine Webber in London.

"It might go in fits and starts, but it will probably happen."

The spread over 10-year German bunds widened a little to close at 103 basis points. The 10-year gilt had rallied by 20 basis points on Friday to close at a spread of 96 basis points.

Analysts said they expected speculation on the UK's Emu prospects to shift in the near future to whether the UK would re-enter the European exchange rate mechanism.

"This is the obvious focus point," said Avinash Persaud, head of currency research at J.P. Morgan.

In the futures market, the benchmark December contract fell by $\frac{1}{16}$ to close at 119¾ in London.

Short-term interest rate futures fell slightly, with the market expecting rates to rise by 50 basis points to 7.50 per cent by March next year.

ITALIAN BTPs suffered after the government failed to secure long-awaited welfare reforms, which are seen as crucial in persuading the German Bundesbank that Italy deserves to join monetary union in the first wave.

Furthermore, the announcement of an unexpected increase in value added tax in the budget led to concerns that a cut in interest rates would be postponed.

The VAT increase will add 0.6 percentage points to the inflation rate and risks pushing inflation beyond the 1.8 per cent target for 1998.

The bond market had rallied last week on expectations that a rate cut was imminent.

The December contract settled at 111.64, down 0.75 on volume of 56,500. The spread against bunds widened from 59 basis points to 68.

Some analysts spoke of a possible "deconvergence" trend. But while delays are possible, the credibility of Italy's recent budget tightening efforts hangs on its ability to implement pension reform, so a resolution looks likely.

The declines in Italy had a knock-on effect on SPANISH BONOS. The December bono contract settled at 103.7, down 0.1. However, traders suggested that an interest rate cut of 0.25 per cent was still likely by as early as Friday.

The December GERMAN BUNDS contract closed in London at 102.73, down from 102.8. Some 98,500 contracts were traded.

There was some speculation that the Bundesbank might introduce a variable repo rate today.

As Mark Cliffe, chief economist at HSBC, said: "This would be a signal that they are willing to let interest rates go up".

However, the consensus remains that rates will stay unchanged. Given the recent recovery in the D-Mark, any further increase in rates could erode exporters' competitiveness.

FRENCH OATs also had a quiet day, in advance of unemployment data. The yield spread over German bunds narrowed to 3 points and the December contract in Paris closed at 99.48.

US TREASURIES moved lower in early trading ahead of a busy week for economic news.

By midday the benchmark 30-year Treasury bond was down $\frac{5}{32}$ at 99$\frac{21}{32}$, sending the yield up to 6.384 per cent.

The 10-year note was also lower, falling ⅛ to 100$\frac{5}{32}$, yielding 6.090 per cent. The two-year note was unchanged at 99$\frac{27}{32}$, yielding 5.767 per cent.

"We expect a cautious range of trading until Friday's employment data," said Ken Fan, US bond strategist at Paribas Capital Markets in New York.

Other reports which have the potential to move the markets include the Chicago Purchasing Management report, released today, which will be followed on Wednesday by the National Association of Purchasing Management report.

Yesterday's release of personal income and consumption expenditures had only a slight impact on bond prices.

Personal income in August rose 0.6 per cent and was revised to a 0.2 per cent gain in July, while personal consumption expenditures rose 0.3 per cent in August.

Bond investors will also be watching for news about the Federal Reserve's Open Market Committee meeting, which begins today.

Many analysts do not expect an interest rate rise now, although they do not rule out a rise at the FOMC's next meeting in November.

CAPITAL MARKETS NEWS DIGEST

SFE starts trading electricity futures

Electricity futures made their debut on the Sydney Futures Exchange yesterday, with 27 contracts traded on the first day. The contracts, for New South Wales and Victoria electricity, are the exchange's first energy contracts.

The SFE launched the contracts in response to deregulation of the industry in New South Wales and Victoria earlier this year, which now see power flowing across state borders. Queensland is also setting up facilities to interconnect with New South Wales.

Les Hosking, SFE chief executive, said the futures would help create a competitive wholesale market as electricity prices would be quoted for every month up to 12 months ahead, allowing generators and consumers to hedge against changes in the spot price. Each contract equals 500MW hours of electricity. At the close of the first day, Victorian electricity futures were trading at A$15.50 a MWhr, while NSW was A$14.40 a MWhr.

Mr Hosking hopes the SFE will also offer gas and coal futures within the next few years as those industries become deregulated. "Coal is the prize," he said, as Australia exports high thermal coal which is currently priced annually.

Elizabeth Robinson, Sydney

■ KAZAKHSTAN

Closed-end fund from Peregrine

Peregrine Securities is to launch the first closed-end fund specialising in Kazakhstan. The launch of the US$90m fund, which will invest in both listed and unlisted companies, will follow the the central Asian republic's second eurobond issue last week. The US$350m deal, which was priced to yield a spread of 245 basis points over five-year Treasuries, was a success.

Peregrine said that the fund would confine its investments in non-listed companies to entities that are "capable of achieving a listing within three to five years". The fund, which will be listed in Dublin, will also participate in privatisation issues. Kazakhstan contains 60 per cent of the former Soviet Union's mineral resources.

Edward Luce

■ ISRAEL

Bank Hapoalim sale complete

Israel will today officially complete the sale of a controlling stake in Bank Hapoalim, the country's biggest, to a group of investors led by Mr Ted Arison, the US-Israeli billionaire.

Israel's parliamentary finance committee paved the way for the finalisation of the deal yesterday, when it approved the sale of 43 per cent of the bank for $1.37bn, Israel's biggest single privatisation move. The new owners also hold an option to buy a further 21.5 per cent of the bank over the next 18 months. If the option were exercised, the government's stake in the bank would be reduced to 5 per cent.

Avi Machlis, Jerusalem

Debut eurobond issue for Pittsburgh bank

INTERNATIONAL BONDS

By Edward Luce

The eurobond market took a pause for breath yesterday, with only a few medium-sized issues launched. Syndicate managers said the market was still "digesting" the recent spate of large-scale Brady bond swaps and straight emerging market issues.

In addition, appetite for dollar-denominated instruments is generally subdued, owing to the growing feeling among investors that the rally in the US Treasury market may have reached its peak, while Swiss retail investors are concerned about the possible depreciation of the US dollar against the Swiss franc.

"The Swiss economy is finally recovering, so there is very little demand for dollar-denominated instruments," said one banker in London.

Despite this, PNC, the Pittsburgh bank, issued its debut eurobond. An official at Goldman Sachs, sole book-runner, said the US$500m offering was targeted primarily at other banks. As a bank issue, the bond carries a lower risk weighting for investors.

The floating-rate notes, priced to yield 12 basis points over three-month Libor at the re-offer price, marked the formal launch of PNC's recently announced $2.5bn medium-term note programme. The deal is the latest in a series of such offerings by US regional banks, which are beginning to diversify their funding bases.

"PNC wanted to launch a benchmark to enable it to come to the market later on with more structured deals and private placements," said the official. The deal was trading flat to the re-offer price last night.

Meanwhile, the Dutch mortgage bank WESTLAND/UTRECHT HYPO, which is wholly owned by ING, launched its debut MTN programme yesterday with a DM500m offering. The 10-year bonds, which were mostly distributed to German investors, came at a spread of 25 basis points.

Merrill Lynch, joint lead with ING Barings, said the deal was benchmarked against recent 10-year D-Mark offerings by ING itself, Rheinhyp, the German bank, and SSK, Cologne's largest savings bank. All three were priced a little tighter than yesterday's spread. "We realised that we had to add a few basis points because Westland is a new name," said an official.

● The City of Moscow yesterday awarded the mandate to lead-manage its second eurobond to CS First Boston and ING Barings. Its debut offering earlier this year was led by CS First Boston and Nomura International.

The new bond, which is expected to total about US$500m, is expected within the next six weeks. Moscow's first issue was priced to yield 315 basis points over three-year Treasury bonds. It is now trading at about 260 basis points.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
PNC Bank National Assoc‡	500	(a)	99.752R	Oct 2002	0.20R	-	Goldman Sachs Intl
Prov of British Columbia★	200	5.50#	98.97	Oct 2000	0.20	-	Yamaichi Intl(Europe)
Unibanco	100	7.75	100.00R	Aug 1998	0.15R	+75(Libor)	Société Générale
Beneficial Bank‡	75	(b)	100.15	Oct 2001	0.15	-	Merrill Lynch International
■ D-MARKS							
Westland/Utrecht Hypo	500	5.75	99.70R	Oct 2007	0.325R	+25(6%Jul07)	INGB/Merrill Lynch
WGZ Ireland‡	500	(c)	100.066	Oct 2000	0.15	-	Commerzbank
■ DANISH KRONER							
Bacob Overseas	500	6.00	101.90	Nov 2004	1.875	-	Bank Brussels Lambert

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +6¼bp. b) 3-mth Libor +7½bp. c) 3-mth Libor +5bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 29	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	8.250	102.2060	4.66	-0.05	-	-0.29	-2.13
	10/07	10.000	126.8596	6.07	-0.08	-0.03	-0.47	-1.68
Austria	09/99	7.000	104.8700	4.36	+0.03	+0.02	+0.16	+0.61
	07/07	5.625	100.2100	5.59	+0.02	+0.01	-0.14	-0.52
Belgium	04/99	7.000	104.2500	4.13	-0.01	+0.02	+0.11	+0.62
	03/07	6.250	104.3700	5.64	+0.02	+0.01	-0.16	-0.56
Canada	03/99	4.000	99.9500	4.03	+0.04	+0.02	-0.21	-0.98
	06/07	7.250	111.1000	5.72	+0.03	-	-0.27	-1.42
Denmark	12/99	6.000	102.7700	4.63	-0.01	-0.07	+0.03	+0.25
	11/07	7.000	107.2800	6.02	-	-0.07	-0.28	-0.91
Finland	01/99	11.000	108.3909	4.13	-	-0.02	+0.20	+0.08
	04/06	7.250	109.8574	5.75	+0.04	-	-0.22	-0.89
France	11/99	7.000	105.6500	4.14	+0.01	+0.01	+0.08	+0.07
	10/04	6.750	109.1600	5.17	+0.03	+0.04	-0.03	-0.50
	10/07	5.500	99.8900	5.51	+0.02	+0.03	-0.09	-0.59
	10/25	6.000	97.8200	6.16	+0.04	+0.04	-0.17	-0.72
Germany	06/99	3.500	99.1900	3.99	+0.02	+0.01	+0.10	+0.44
	07/04	6.750	108.5800	5.21	+0.01	+0.03	-0.09	-0.48
	07/07	6.000	103.2900	5.55	+0.01	+0.01	-0.13	-0.50
	07/27	6.500	104.2000	6.19	+0.01	+0.02	-0.20	-0.67
Ireland	04/99	6.250	101.1000	5.44	-0.01	-	-0.40	-0.70
	08/06	8.000	113.4500	6.00	+0.01	-0.05	-0.37	-1.01
Italy	05/00	6.000	101.6000	5.33	+0.11	+0.06	-0.74	-2.38
	05/02	6.250	102.5800	5.61	+0.10	+0.11	-0.57	-2.42
	07/07	6.750	104.5100	6.13	+0.10	+0.09	-0.47	-2.41
	11/26	7.250	106.9700	6.70	+0.03	+0.06	-0.49	-2.17
Japan	06/99	4.800	107.3800	0.46	+0.01	-	-0.06	-0.70
	12/02	4.800	117.1500	1.37	-0.03	-0.07	-0.16	-0.94
	09/05	3.000	107.8700	1.93	-0.03	-0.05	-0.14	-0.94
	03/17	3.500	110.9100	2.77	-0.02	-0.05	-0.09	-0.72
Netherlands	06/99	7.500	105.3800	4.14	+0.01	+0.01	+0.05	+0.62
	02/07	5.750	101.6500	5.51	+0.02	-	-0.14	-0.40
New Zealand	02/00	6.500	99.3425	6.79	-	+0.08	-0.43	-1.27
	11/06	8.000	109.3975	6.59	-0.01	+0.03	-0.45	-1.44
Norway	01/99	9.000	105.8602	4.34	-	-0.10	-0.20	-1.29
	01/07	6.750	106.4985	5.82	+0.01	-0.02	-0.22	-1.02
Portugal	03/99	8.500	104.9254	4.92	-	-0.09	-0.37	-2.09
	02/07	6.625	104.3458	6.00	+0.03	+0.02	-0.38	-1.86
Spain	07/99	7.400	104.5226	4.74	-	-0.02	-0.47	-1.98
	03/07	7.350	110.1101	5.92	+0.02	+0.01	-0.40	-1.93
Sweden	01/99	11.000	107.6110	4.79	+0.04	-0.06	-0.09	-1.03
	08/07	8.000	113.2060	6.17	+0.04	-0.09	-0.44	-1.39
Switzerland	03/99	4.000	103.2600	1.88	-0.08	-0.06	-	-0.12
	06/07	4.500	107.7100	3.54	-	+0.05	-0.02	-0.49
UK	08/99	6.000	98.4922	6.87	+0.06	+0.04	-0.16	+0.67
	11/04	6.750	101.6875	6.45	+0.08	-0.24	-0.62	-0.85
	12/07	7.250	105.7813	6.46	+0.05	-0.18	-0.61	-1.22
	06/21	8.000	116.8438	6.58	+0.02	+0.03	-0.42	-1.42
US	07/99	5.875	100.0860	5.82	+0.01	+0.04	-0.14	-0.25
	05/04	7.250	106.2730	6.06	+0.01	+0.03	-0.24	-0.36
	08/07	6.125	100.1720	6.10	+0.02	+0.04	-0.24	-0.58
	08/27	6.375	99.7890	6.39	+0.03	+0.04	-0.22	-0.52
ECU	03/98	5.000	100.6200	4.53	+0.03	-	-0.02	+0.21
	04/07	5.500	98.2701	5.74	+0.03	+0.04	-0.23	-0.64

London closing. New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Sep 29	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.07	+0.53	-0.04	New Zealand	6.59	+1.05	+0.48
Austria	5.59	+0.05	-0.52	Norway	5.82	+0.28	-0.29
Belgium	5.64	+0.10	-0.47	Portugal	6.00	+0.46	-0.11
Canada	5.72	+0.18	-0.39	Spain	5.92	+0.38	-0.19
Denmark	6.01	+0.47	-0.10	Sweden	6.17	+0.63	+0.06
Finland	5.75	+0.21	-0.36	Switzerland	3.53	-2.01	-2.58
France	5.51	-0.03	-0.60	UK	6.46	+0.92	+0.35
Germany	5.54	-	-0.57	US	6.11	+0.57	-
Ireland	6.00	+0.46	-0.11	ECU	5.74	+0.20	-0.37
Italy	6.13	+0.59	+0.02				
Japan	1.93	-3.61	-4.18				
Netherlands	5.51	-0.03	-0.60				

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Sep 29	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	98.1441	7.50	+0.07	-0.04	+1.50
Poland	07/00	7.750	BBB-	103.0728	6.49	+0.02	-0.20	+0.62
Russia	11/01	9.250	BB-	103.5964	8.18	+0.02	-0.40	+2.24
■ LATIN AMERICA								
Argentina	01/17	11.375	BB	116.1085	9.51	+0.04	+0.06	+3.26
Brazil	11/01	8.875	BB-	103.2714	7.90	+0.02	-0.12	+1.96
Mexico	01/07	9.875	BB	107.7518	8.64	+0.03	-0.26	+2.53
■ ASIA								
China	07/06	7.750	BBB+	104.4136	7.05	+0.05	+0.08	+0.97
Philippines	10/16	8.750	BB+	99.7225	8.78	+0.16	+0.03	+2.55
Thailand	04/07	7.750	A-	98.6663	7.94	+0.05	+0.70	+1.83
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	103.3207	7.75	+0.12	-0.11	+1.88
South Africa	12/99	9.625	BB+	105.6915	6.79	+0.02	-0.06	+1.00
Turkey	05/02	10.000	B	105.2062	8.61	+0.03	-0.13	+2.61
■ BRADY BONDS								
Argentina	03/23	5.500	BB	75.3103	8.30	+0.04	+1.65	+1.97
Brazil	04/24	5.250	BB-	72.2637	8.56	+0.04	+1.84	+2.21
Mexico	12/19	6.250	BB	82.8161	7.89	+0.04	-0.44	+1.61
Venezuela	03/20	6.750	B+	87.9901	7.90	+0.04	-0.89	+1.61

London closing. Prices in US$. Source: Interactive Data/FT Information.
Standard & Poor's ratings.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	99.66	99.48	-0.18	99.76	99.42	61,226	141,316
Mar	99.06	98.86	-0.18	99.12	99.00	386	3,635
Jun	98.72	98.52	-0.24	98.72	98.72	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
97	-	2.75	-	0.02	0.11	0.46
98	1.74	1.88	1.82	0.06	0.23	0.80
99	0.92	1.14	1.27	0.26	0.48	1.23
100	0.34	0.58	0.84	0.68	0.92	-
101	0.06	0.23	-	1.42	1.56	-

Est. vol. total, Calls 7,691 Puts 8,784. Previous day's open int., Calls 95,479 Puts 72,567.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.80	102.73	-0.07	102.86	102.61	99232	280766
Mar	101.98	101.96	-0.05	102.00	101.89	1530	4442

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
10250	0.59	0.84	0.68	0.99	0.36	0.61	1.22	1.53
10300	0.33	0.58	0.50	0.79	0.60	0.85	1.54	1.83
10350	0.17	0.38	0.36	0.62	0.94	1.15	1.90	2.16

Est. vol. total, Calls 11980 Puts 13753. Previous day's open int., Calls 139787 Puts 147898

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.96	103.99	-	104.09	103.94	702,935	266,764

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.20	111.64	-0.75	112.20	111.40	58909	126184
Mar	111.60	111.59	-0.68	111.60	111.60	130	1180

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11150	1.11	1.73	0.97	1.64
11200	0.85	1.47	1.21	1.88
11250	0.64	1.25	1.50	2.16

Est. vol. total, Calls 4916 Puts 1146. Previous day's open int., Calls 76452 Puts 65698

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.83	103.70	-0.17	103.88	103.54	59,358	80,231

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	119-22	119-04	-0-14	119-22	118-29	88186	177026
Mar	119-04	119-03	-0-14	119-04	119-03	14	17

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
119	0-57	1-15	1-30	1-63	0-49	1-07	1-24	1-57
120	0-31	0-51	1-01	1-32	1-23	1-43	1-59	2-26
121	0-15	0-32	0-43	1-07	2-07	2-24	2-37	3-01

Est. vol. total, Calls 8477 Puts 1679. Previous day's open int., Calls 40765 Puts 20567

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.28	98.10	-0.20	98.30	98.10	1,494	5,651

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-24	115-18	-0-06	115-27	115-15	568,057	612,365
Mar	115-10	115-08	-0-06	115-10	115-06	1,576	37,101
Jun	-	115-03	-	-	-	1	2,113

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	128.94			129.15	128.93	6840	n/a
Mar	127.83			128.01	127.79	4160	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Sep 29	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	103.5514	6.36	-0.05	-0.25	+0.37
NY Tel	08/25	7.00	A+	96.9805	7.25	-0.03	-0.28	+0.89
CWE	05/08	8.00	BBB	107.7043	6.96	-0.04	-0.27	+0.88
■ FINANCIALS								
GECC	05/07	8.75	AAA	115.4657	6.55	-0.05	-0.31	+0.47
Banc One	08/02	7.25	A+	103.3011	6.44	-0.05	-0.26	+0.45
US West	01/07	7.30	BBB+	103.1090	6.84	-0.04	-0.30	+0.76
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	100.1529	6.14	-0.03	-0.11	+0.36
Wal Mart	05/02	6.75	AA	101.7336	6.30	-0.06	-0.27	+0.31
Dayton Hud	06/21	9.70	BBB+	126.9262	7.29	-0.03	-0.31	+0.93
■ AGENCIES								
FHLMC	04/07	7.14	N/A	105.5052	6.35	-0.05	-0.32	+0.27
SLMA	03/00	7.50	N/A	103.4718	5.94	-0.06	-0.25	+0.08
FNMA	02/18	8.95	N/A	124.1866	6.74	-0.04	-0.29	+0.38
FFCB	06/06	8.95	N/A	117.3296	6.32	-0.04	-0.32	+0.24
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.6250	0.00	-	-	-
AK Stl	12/01	9.13	BB-	105.7500	0.00	-	-	-
Pacalta	06/04	10.75	B-	104.5000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.80
Broker loan rate	7¼	Two month	-	Three year	5.89
Fed.funds	5½	Three month	4.98	Five year	6.01
Fed.funds at intervention	-	Six month	5.18	10-year	6.11
		One year	5.46	30-year	6.40

BENCHMARK EUROBONDS

Sep 29	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
[illegible]								
EIB	02/07	5.750	AAA	101.0800	5.59	+0.01	-0.11	+0.05
Spain	01/07	5.750	AA	100.6800	5.65	-0.24	-0.11	+0.11
Philip Morris	03/04	5.375	A	98.9500	5.57	+0.01	-0.04	+0.36
ABN Amro	03/05	3.625	n/a	99.8668	5.50	+0.01	-0.12	+0.14
[illegible]								
Austria	01/04	5.500	AAA	101.8400	5.15	+0.03	-0.01	-0.02
Abbey Nat	02/04	6.000	AA	104.1500	5.21	+0.03	-0.04	+0.04
Cred Foncier	02/04	9.125	A	118.8900	5.52	+0.02	-0.02	+0.35
Abbey Nat	09/06	4.510	AAr	101.2472	4.34	+0.03	-0.93	-1.07
[illegible]								
EIB	02/07	7.000	AAA	106.1000	6.12	+0.06	-0.48	-0.01
Abbey Nat	02/02	6.800	AA	104.2500	5.67	+0.06	-0.59	-0.05
Walt Disney	06/00	8.625	A	107.2500	5.65	-0.01	-0.80	+0.27
Abbey Nat	08/07	8.000	AAr	102.8348	7.21	+0.34	-0.57	+1.08
[illegible]								
EIB	12/07	7.625	AAA	106.5565	6.71	+0.04	-0.62	+0.25
Dresdner Bk	12/07	7.750	AA	104.5814	7.10	+0.05	-0.62	+0.64
RBS	01/07	8.375	A+	107.2349	7.27	+0.06	-0.61	+0.81
Abbey Nat	02/02	7.400	AA	99.9696	6.49	+0.07	-0.61	+0.03
[illegible]								
EIB	04/07	7.250	AAA	105.1620	6.60	+0.09	-0.23	+0.39
ABN Amro	06/07	7.125	AA-	102.8404	6.72	+0.03	-0.29	+0.61
Quebec	01/07	7.000	A+	102.0432	6.70	+0.03	-0.27	+0.59
Citicorp	02/04	5.761	A+	99.7389	5.83	+0.03	-0.03	-0.21
[illegible]								
Bayer L-Bk	08/04	9.500	AAA	120.8716	5.73	-0.03	-0.30	+0.08
Toronto	05/04	8.500	AA+	114.2650	5.84	+0.04	-0.19	+0.19
Bell Canada	07/98	10.625	A+	109.8879	4.70	+0.10	-0.27	-0.21
Deutsche Bk	09/02	5.875	AAA	102.0797	5.39	+0.04	-0.13	-0.06
[illegible]								
World Bank	03/02	5.250	AAA	117.6500	1.16	-0.04	-0.13	+0.01
Spain	03/02	5.750	AA	119.5000	1.24	-0.06	-0.18	+0.07
Cred Foncier	06/02	4.750	A	114.2382	1.67	-0.03	-0.12	+0.50
Italy	07/99	0.703	AA	100.6765	0.11	-	-0.03	-0.35

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Sep 29	Day's change %	Fri Sep 26	Accrued interest	xd adj. ytd		Low coupon yield Sep 29	Low Sep 26	Low Yr. ago	Medium coupon yield Sep 29	Medium Sep 26	Medium Yr. ago	High coupon yield Sep 29	High Sep 26	High Yr. ago
1 Up to 5 years (19)	120.26	-0.15	120.44	2.10	8.21	5 yrs	6.49	6.43	7.09	6.55	6.49	7.17	6.62	6.57	7.22
2 5-15 years (21)	158.77	-0.30	159.24	3.19	8.12	15 yrs	6.46	6.41	7.98	6.58	6.54	7.94	6.57	6.52	7.95
3 Over 15 years (4)	187.03	-0.36	187.70	2.99	9.77	20 yrs	6.46	6.41	8.07	6.61	6.58	8.04	6.57	6.52	8.04
4 Irredeemables (4)	225.84	-0.34	226.62	3.84	9.50	Irred.†	6.71	6.69	8.08						
5 All stocks (48)	150.90	-0.26	151.29	2.76	8.62										

Index-linked	Mon Sep 29	Day's change %	Fri Sep 26	Accrued interest	xd adj. ytd		Inflation 5% Sep 29	Inflation 5% Sep 26	Inflation 5% Yr. ago	Inflation 10% Sep 29	Inflation 10% Sep 26	Inflation 10% Yr. ago
6 Up to 5 years (2)	209.07	-0.05	209.19	0.82	5.22	Up to 5 yrs	3.27	3.24	2.86	2.57	2.54	2.19
7 Over 5 years (10)	207.47	-0.29	208.07	1.47	4.70	Over 5 yrs	3.33	3.31	3.54	3.13	3.10	3.34
8 All stocks (12)	206.56	-0.26	207.10	1.40	4.72							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 29	Sep 26	Sep 25	Sep 24	Sep 23	Yr ago	High*	Low*
Govt. Secs. (UK)	99.95	100.28	99.71	99.64	99.52	93.7	100.28	93.31
Fixed Interest	130.39	130.82	130.17	130.26	130.15	113.91	130.82	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. All Stocks, Over 15 yrs & Irreds recalculated to account for first interest payment on Treas 8% 2021. For further information please fax: FTSE Intl 0171 448 1804.

UK GILTS PRICES

Shorts" (Lives up to Five Years) … Index-Linked … Other Fixed Interest

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CURRENCIES AND MONEY

Sterling gains little after Emu denials

MARKETS REPORT

By Richard Adams and Wolfgang Münchau

Sterling made only a modest recovery on the foreign exchange markets yesterday, following denials from the UK government that it was about to shift policy on its membership of a single European currency.

The pound had lost four pfennig against the D-Mark on Friday, but regained only one yesterday, as traders talked of scenarios for UK entry to Emu. Sterling closed at DM2.843 in London, 0.9 of a pfennig stronger than at the end of last week.

The D-Mark was generally stronger in Europe. It gained three lira against the Italian currency after Fausto Bertinotti, leader of the Italy's hard left, pledged to fight the draft 1998 budget. The government may struggle to gain a majority.

The US dollar was weaker against sterling, which gained a cent to $1.617, in spite of firm economic data.

■ Despite the official denials, there can be little doubt that the government is edging towards a more friendly position on monetary union.

But even a firm declaration of intent to join Emu at some point in the future would not entirely remove the uncertainty surrounding the pound/D-Mark exchange rate, as long as there is no hard information about the timing and about the conversion rate at entry into Emu.

However, sterling's de facto Emu conversion rate could well be determined as early as next summer, irrespective of when the UK finally joins Emu. As a committed "pre-in" country the UK will come under pressure to join the new exchange-rate mechanism – ERM2 – a system to limit volatility between the euro and the pre-in currencies.

The British government could refuse to join the ERM2, since membership is voluntary. But the Maastricht Treaty says that Emu members should have been members of the ERM for two years without devaluation. There is some disagreement about the legal meaning of this clause, since the ERM is no longer the same narrow-band system that it was when the Treaty was signed in 1991. Nor does the Treaty explicitly mention the ERM2.

Hans Tietmeyer, president of the Bundesbank, emphasises the importance of an "ex-ante" *commitment* to exchange-rate stability, as opposed to mere "ex-post" *achievement* of stability. In the first case, a country pre-announces a central ERM partity, retains that parity for at least two years, and is prepared to defend the parity if necessary. In the second case, stability could be achieved merely by accident.

Britain and Sweden argue the case for ex-post stability. Furthermore, joining even a reformed wide-band ERM2 may carry some political and economic risks. Since the UK economy is out of synch with the others, there could be serious speculation despite the wide bands.

■ Where does this leave the pound? If the UK joins the ERM2 in 1999, when the system is due to be launched, at a rate of DM2.60, yesterday's exchange rate of just over DM2.84 would not seem unreasonable, given current interest rate differentials.

But if the currency were to float until 2002, and then convert at a rate of DM2.70, sterling would be considerably undervalued.

The firmer the expectations of UK membership of Emu, the smoother will be the path by which the pound slides towards its eventual central rate. One analyst said that best trade under these circumstances is to sell volatility on sterling/D-Mark parity – selling options priced at certain thresholds above and below the current spot price.

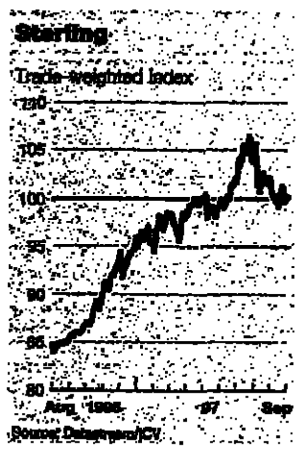
■ The huge fires in Indonesia are starting to harm its economy, dragging down the rupiah and hurting the region's other currencies.

Carlos Daurignac, an emerging markets analyst for CA-Indosuez in London, said the Indonesian rupiah was hit during the weekend by a "smog effect" as production fell and tourists stayed away. "Tourism is seen as one of the main currency sources for the region," Mr Daurignac said.

The rupiah fell against the US dollar to a low of Rp3235 yesterday, having been Rp3090 at the end of last week. The Malaysian ringgit also fell, from M$3.12 to M$3.20.

Sterling

Trade-weighted index



Source: Datastream/ICV

■ **Pound in New York**

Sep 29	–Latest–	– Prev. close –
£ spot	1.6170	1.6095
1 mth	1.6149	1.6076
3 mth	1.6048	1.6034
1 yr	1.5940	1.5870

■ **OTHER CURRENCIES**

Sep 29	£	$
Czech Rp	52.8628 - 52.9600	32.7120 - 32.7520
Hungary	314.215 - 314.490	194.440 - 194.490
Iran	4851.00 - 4848.00	3000.00 - 3000.00
Kuwait	0.4916 - 0.4921	0.3042 - 0.3043
Poland	5.5098 - 5.5180	3.4085 - 3.4125
Russia	9472.98 - 9480.47	5862.00 - 5863.00
U.A.E.	5.9354 - 5.9392	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Sep 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.0087	+0.0656	993 - 181	20.0825	19.8797	19.9543	3.3	19.8416	3.3	19.3361	3.4	102.6
Belgium	(BFr)	58.6790	+0.1957	285 - 294	58.8890	58.2940	58.499	3.7	58.129	3.7	56.379	3.9	102.3
Denmark	(DKr)	10.8265	+0.0399	215 - 315	10.8675	10.7583	10.795	3.5	10.731	3.5	10.4395	3.6	104.3
Finland	(FM)	8.5043	+0.0297	974 - 111	8.5350	8.4620	8.479	3.6	8.4265	3.7	8.2138	3.4	81.6
France	(FFr)	9.5491	+0.0391	441 - 540	9.5852	9.4856	9.5161	4.1	9.4591	3.8	9.1836	3.8	105.4
Germany	(DM)	2.8432	+0.0095	419 - 445	2.8549	2.8237	2.8338	3.9	2.8148	4.0	2.7279	4.1	103.4
Greece	(Dr)	449.369	+1.216	054 - 672	451.094	446.872	451.146	-4.8	453.77	-3.9	462.138	-2.8	65.2
Ireland	(I£)	1.1053	+0.0022	042 - 064	1.1092	1.0984	1.1048	0.5	1.1034	0.7	1.0925	1.2	97.0
Italy	(L)	2783.15	+17.72	135 - 496	2797.25	2762.28	2783.23	0.0	2783.2	0.0	2780.6	0.1	76.3
Luxembourg	(LFr)	58.6790	+0.1957	285 - 294	58.8890	58.2940	58.499	3.7	58.129	3.7	56.379	3.9	102.3
Netherlands	(Fl)	3.2022	+0.014	005 - 039	3.2135	3.1817	3.192	3.8	3.1711	3.9	3.0751	4.0	101.7
Norway	(NKr)	11.4605	+0.0021	529 - 681	11.5319	11.4160	11.428	3.4	11.367	3.3	11.098	3.2	99.8
Portugal	(Es)	289.845	+1.195	474 - 815	290.703	287.435	289.489	0.6	288.959	0.9	284.871	1.6	92.2
Spain	(Pta)	240.220	+1.116	121 - 318	241.100	238.440	239.905	1.6	239.155	1.8	234.785	2.3	77.1
Sweden	(SKr)	12.2223	+0.0427	132 - 313	12.2861	12.1752	12.1948	2.7	12.1363	2.8	11.8798	2.8	87.1
Switzerland	(SFr)	2.3473	+0.0084	458 - 487	2.3549	2.3327	2.3364	5.6	2.3138	5.7	2.2136	5.7	108.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.2
Ecu	-	1.4511	+0.0049	502 - 520	1.4562	1.4429	1.4478	2.7	1.4406	2.9	1.4066	3.1	-
SDR†	-	1.175315	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6162	+0.0114	157 - 167	1.6196	1.6055	-	-	-	-	-	-	-
Brazil	(R$)	1.7711	+0.0116	703 - 719	1.7759	1.7602	-	-	-	-	-	-	-
Canada	(C$)	2.2383	+0.0137	372 - 394	2.2432	2.2255	2.2315	3.7	2.2178	3.7	2.1669	3.2	84.7
Mexico	(New Peso)	12.6354	+0.0748	274 - 433	12.6571	12.5628	-	-	-	-	-	-	-
USA	($)	1.6165	+0.0107	160 - 170	1.6206	1.6065	1.6144	1.6	1.6102	1.5	1.5934	1.4	105.1
Pacific/Middle East/Africa													
Australia	(A$)	2.2484	+0.0303	469 - 499	2.2555	2.2326	2.2448	1.9	2.2384	2.1	2.1995	2.2	90.7
Hong Kong	(HK$)	12.5101	+0.0836	038 - 164	12.5394	12.4317	12.5091	0.1	12.5026	0.2	12.4476	0.5	-
India	(Rs)	58.4964	+0.3745	136 - 791	58.5850	58.1180	58.6916	-4.0	59.0922	-4.1	60.7719	-3.9	-
Israel	(Shk)	5.6662	+0.0292	581 - 742	5.6760	5.6575	-	-	-	-	-	-	-
Japan	(Y)	195.548	+1.134	423 - 673	196.320	194.770	194.528	6.3	192.503	6.2	183.518	6.2	128.7
Malaysia	(M$)	5.1623	+0.1401	567 - 679	5.1759	5.0469	5.1665	-1.0	5.1745	-0.9	5.1932	-0.6	-
New Zealand	(NZ$)	2.5359	+0.0348	341 - 377	2.5386	2.5111	2.5391	-1.5	2.5428	-1.1	2.5435	-0.3	107.6
Philippines	(Peso)	54.9126	+1.086	309 - 942	56.5849	54.7763	55.0724	-3.5	55.3219	-3.0	56.3788	-2.7	-
Saudi Arabia	(SR)	6.0627	+0.0399	606 - 647	6.0779	6.0255	6.0592	0.7	6.0508	0.8	6.0143	0.8	-
Singapore	(S$)	2.4717	+0.0228	701 - 732	2.4796	2.4535	2.467	2.3	2.457	2.4	2.4088	2.5	-
South Africa	(R)	7.5370	+0.021	322 - 417	7.5645	7.5040	7.5977	-9.7	7.7156	-9.5	8.1525	-8.2	-
South Korea	(Won)	1479.10	+10.03	541 - 279	1483.61	1469.79	-	-	-	-	-	-	-
Taiwan	(T$)	46.2343	+0.306	192 - 494	46.2843	45.9491	46.2177	0.4	46.1779	0.5	45.9802	0.5	-
Thailand	(Bt)	58.1941	+0.8991	144 - 737	58.3860	55.8480	58.5307	-6.9	58.8923	-5.5	60.0225	-3.1	-

† Rates for Sep 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.3778	-0.0416	758 - 798	12.4130	12.3270	12.3538	2.3	12.3048	2.4	12.0808	2.4	102.3
Belgium	(BFr)	36.3000	-0.12	800 - 200	36.3900	36.1510	36.225	2.5	36.0735	2.5	35.38	2.5	102.3
Denmark	(DKr)	6.6975	-0.0204	965 - 985	6.7167	6.6707	6.6858	2.1	6.6615	2.2	6.5551	2.1	103.8
Finland	(FM)	5.2609	-0.0168	583 - 635	5.2770	5.2474	5.2494	2.6	5.2258	2.7	5.1319	2.5	81.0
France	(FFr)	5.9073	-0.015	060 - 085	5.9220	5.8837	5.8958	2.3	5.872	2.4	5.7631	2.4	104.9
Germany	(DM)	1.7589	-0.0058	586 - 591	1.7640	1.7517	1.755	2.6	1.7472	2.6	1.7123	2.6	103.0
Greece	(Dr)	277.985	-1.095	880 - 090	279.110	277.100	279.28	-5.6	281.335	-4.8	288.485	-3.8	64.8
Ireland	(I£)	1.4625	+0.0067	615 - 635	1.4685	1.4565	1.4617	0.6	1.4608	0.5	1.4612	0.1	-
Italy	(L)	1721.72	-0.43	113 - 230	1727.10	1712.51	1723.49	-1.2	1726.5	-1.1	1729.92	-0.5	76.1
Luxembourg	(LFr)	36.3000	-0.12	800 - 200	36.3900	36.1510	36.225	2.5	36.0735	2.5	35.38	2.5	102.3
Netherlands	(Fl)	1.9810	-0.0044	805 - 814	1.9870	1.9732	1.9768	2.6	1.9683	2.6	1.9305	2.5	101.5
Norway	(NKr)	7.0897	-0.0459	872 - 922	7.1720	7.0575	7.0752	2.4	7.0468	2.4	6.9351	2.2	98.7
Portugal	(Es)	179.180	-0.45	130 - 230	179.890	178.210	179.144	0.2	179.09	0.2	177.92	0.7	92.7
Spain	(Pta)	148.605	-0.295	590 - 620	148.970	147.950	148.56	0.4	148.385	0.6	147.21	0.9	78.7
Sweden	(SKr)	7.5610	-0.0237	577 - 642	7.6178	7.5557	7.5519	1.4	7.5326	1.5	7.4586	1.4	86.7
Switzerland	(SFr)	1.4521	-0.0044	516 - 525	1.4569	1.4475	1.4467	4.4	1.4361	4.4	1.3906	4.2	106.0
UK	(£)	1.6165	+0.0107	160 - 170	1.6206	1.6065	1.6144	1.6	1.6102	1.5	1.5934	1.4	99.5
Ecu	-	1.1140	+0.0036	136 - 143	1.1175	1.1100	1.1155	-1.6	1.1187	-1.7	1.1342	-1.8	-
SDR†	-	0.73069	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0004	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0957	-	955 - 958	1.0960	1.0950	-	-	-	-	-	-	-
Canada	(C$)	1.3847	-0.0007	844 - 849	1.3860	1.3835	1.3816	2.7	1.3759	2.6	1.3553	2.1	84.6
Mexico	(New Peso)	7.8165	-0.0055	140 - 190	7.8200	7.8130	7.925	-16.7	8.136	-16.4	9.0465	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3909	+0.0096	904 - 914	1.3918	1.3890	1.3903	0.5	1.3885	0.7	1.3801	0.8	92.6
Hong Kong	(HK$)	7.7390	+0.0005	375 - 405	7.7415	7.7365	7.7395	-0.1	7.7404	-0.1	7.7427	0.0	-
India	(Rs)	36.1870	-0.008	470 - 270	36.2320	36.1350	36.3245	-4.6	36.6095	-4.7	37.822	-4.5	-
Israel	(Shk)	3.5052	-0.0052	013 - 091	3.5095	3.5005	-	-	-	-	-	-	-
Japan	(Y)	120.970	-0.1	930 - 010	121.450	120.760	120.455	5.1	119.455	5.0	115.155	4.8	128.0
Malaysia	(M$)	3.1935	+0.066	910 - 960	3.2000	3.1395	3.198	-1.7	3.207	-1.7	3.237	-1.4	-
New Zealand	(NZ$)	1.5688	+0.0113	681 - 694	1.5705	1.5653	1.5698	-0.6	1.572	-0.8	1.5821	-0.8	-
Philippines	(Peso)	33.9700	+0.45	300 - 100	34.6000	33.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7509	3.7503	3.7512	-0.2	3.7522	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5290	+0.004	285 - 295	1.5350	1.5215	1.5272	1.4	1.5234	1.5	1.504	1.6	-
South Africa	(R)	4.6625	-0.018	610 - 640	4.6770	4.6605	4.703	-10.4	4.7825	-10.3	5.085	-9.1	-
South Korea	(Won)	915.000	+0.15	000 - 000	918.900	912.900	-	-	-	-	-	-	-
Taiwan	(T$)	28.6015	-	010 - 020	28.6100	28.5700	28.6125	-0.5	28.6215	-0.3	28.714	-0.4	-
Thailand	(Bt)	36.0000	+0.32	000 - 000	36.1500	34.6000	36.445	-14.8	37.15	-12.8	38.38	-6.6	-

† SDR rate per $ for Sep 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 26: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

September 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅜	3⅜	3⅜	3⅜	3⅜	6.00	2.50	-
France	3⅛	3⅛	3⅛	3½	3⅝	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3⅝	4.50	2.50	3.00
Ireland	6¼	6¼	6⅛	5⅞	5¾	-	-	6.75
Italy	6⅝	6⅝	6⅜	6⅛	5⅞	7.75	6.25	6.02
Netherlands	3⅛	3⅛	3⅜	3⅛	3⅝	-	2.50	3.00
Switzerland	1⅛	1⅛	1⅜	1⅜	1⅝	-	1.00	-
US	5⅛	5⅝	5⅝	5¾	5⅞	-	5.00	-
Japan	½	½	⅝	⅝	⅝	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	5⅝	5⅝	5⅝	6	-	-	-
US Dollar CDs	-	5.42	5.48	5.57	5.72	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅜	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	3¼ - 3⅛	3⅛ - 3⅜	3⅜ - 3⅝	3⅛ - 3⅜	3⅝ - 3⅞
Danish Krone	3⅛ - 3¼	3⅜ - 3⅜	3⅜ - 3⅛	3⅝ - 3⅜	3⅞ - 3⅜	4⅛ - 4
German Mark	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅞	3⅜ - 3⅜
Dutch Guilder	3⅛ - 3⅛	3⅜ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅜	3⅝ - 3½	3⅞ - 3⅜
French Franc	3⅝ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅛	3⅛ - 3⅞	3⅜ - 3⅜
Portuguese Esc.	5⅜ - 5½	5⅜ - 5⅞	5⅜ - 6⅛	5⅞ - 5⅛	5⅛ - 4⅜	4⅜ - 4⅞
Spanish Peseta	6 - 5⅛	5⅛ - 5⅛	5¼ - 5⅛	5⅛ - 5⅛	5⅛ - 5	4⅞ - 4⅜
Sterling	7½ - 7	7⅛ - 7⅛	7⅛ - 6⅞	7⅛ - 7⅛	7⅝ - 7⅜	7⅛ - 7⅛
Swiss Franc	1⅜ - ⅞	1⅛ - 1⅛	1⅜ - 1¼	1⅜ - 1⅜	1⅜ - 1⅜	1⅞ - 1⅜
Canadian Dollar	3⅞ - 3¼	3⅜ - 3⅛	3⅜ - 3⅜	3⅛ - 3⅝	3⅜ - 3⅜	4⅞ - 4¼
US Dollar	5⅜ - 5⅜	5⅜ - 5⅜	5⅝ - 5½	5⅜ - 5⅜	5⅜ - 5⅜	6 - 5⅞
Italian Lira	7 - 6½	6⅜ - 6⅜	6⅝ - 6½	6⅞ - 6½	6¼ - 6⅛	5⅜ - 5⅜
Japanese Yen	1⅛ - 1⅛	⅜ - ⅞	⅞ - ⅜	⅝ - ⅞	⅜ - ⅜	⅜ - ⅜
Asian $Sing	2⅞ - 2⅞	3⅜ - 3⅛	3⅜ - 3⅜	4⅛ - 3⅜	4⅛ - 4	4⅜ - 4⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.40	96.38	-0.02	96.40	96.38	9,824	37,310
Mar	96.19	96.15	-0.02	96.19	96.13	6,895	34,068
Jun	95.96	95.92	-0.03	95.96	95.91	4,441	26,627

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.42	96.40	-0.02	96.43	96.39	28313	288943
Mar	96.19	96.16	-0.02	96.19	96.15	31219	300191
Jun	95.95	95.92	-0.03	95.95	95.91	31919	253813
Sep	95.76	95.74	-0.02	95.77	95.73	18725	184273

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.71	96.71	-0.01	96.71	96.71	200	265
Nov		96.62	-0.01			0	60
Dec		96.39	-0.02			0	730
Jan		96.50	-0.01			0	150

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.01	93.91	-0.11	94.01	93.90	34635	103556
Mar	94.70	94.63	-0.10	94.71	94.60	20191	99615
Jun	95.10	95.04	-0.10	95.10	95.00	12429	81423
Sep	95.20	95.14	-0.10	95.21	95.11	6864	54934

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.22	98.22	-0.02	98.24	98.18	6049	73915
Mar	98.00	98.03	-0.01	98.04	98.00	2860	38125
Jun	97.74	97.78	-0.01	97.78	97.74	2070	25258
Sep	97.61	97.60	-0.01	97.61	97.58	578	12814

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.43	-			0	n/a
Mar		99.42	+0.02			0	n/a
Jun		99.36	+0.01			0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.56	95.56	-0.02	95.57	95.55	997	12614
Mar	95.52	95.52	-0.01	95.52	95.49	471	6606
Jun	95.44	95.44	-0.02	95.45	95.42	244	4118
Sep	95.40	95.40	-0.02	95.40	95.36	119	4695

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9375	0.24	0.92	1.33	0.08	0.04	0.04
9400	0.10	0.70	1.10	0.19	0.07	0.06
9425	0.03	0.50	0.88	0.37	0.12	0.09

Est. vol. total, Calls 10257 Puts 2091. Previous day's open int., Calls 181274 Puts 82944

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.27	4.845	1.884	4743	5.457	19.53	493.6	409.4	20.83	4.000	1.704	3.815	2.755	333.3	2.473
Denmark	(DKr)	54.20	10	8.820	2.626	1.021	2571	2.958	10.59	267.5	221.9	11.29	2.168	0.924	2.067	1.493	180.6	1.340
France	(FFr)	61.45	11.34	10	2.978	1.157	2915	3.353	12.00	303.3	251.6	12.80	2.458	1.047	2.344	1.693	204.8	1.520
Germany	(DM)	20.64	3.808	3.358	1	0.389	978.9	1.126	4.031	101.9	84.49	4.299	0.826	0.352	0.787	0.569	68.78	0.510
Ireland	(I£)	53.09	9.795	8.639	2.572	1	2518	2.897	10.37	262.1	217.3	11.06	2.124	0.905	2.025	1.463	176.9	1.313
Italy	(L)	2.108	0.389	0.343	0.102	0.040	100	0.115	0.412	10.41	8.631	0.439	0.084	0.036	0.080	0.058	7.026	0.052
Netherlands	(Fl)	18.32	3.381	2.982	0.888	0.345	869.1	1	3.579	90.45	75.02	3.817	0.733	0.312	0.699	0.505	61.07	0.453
Norway	(NKr)	51.20	9.447	8.332	2.481	0.964	2428	2.794	10	252.7	209.6	10.66	2.048	0.873	1.953	1.411	170.8	1.266
Portugal	(Es)	20.26	3.738	3.297	0.982	0.382	960.9	1.106	3.957	100	82.94	4.220	0.810	0.345	0.773	0.558	67.51	0.501
Spain	(Pta)	24.43	4.507	3.975	1.184	0.460	1158	1.333	4.771	120.6	100	5.088	0.977	0.416	0.932	0.673	81.40	0.604
Sweden	(SKr)	48.01	8.858	7.813	2.326	0.904	2277	2.620	9.377	237.0	196.5	10	1.921	0.818	1.831	1.323	160.0	1.187
Switzerland	(SFr)	25.00	4.612	4.068	1.211	0.471	1186	1.364	4.882	123.4	102.3	5.207	1	0.426	0.954	0.689	83.31	0.618
UK	(£)	58.68	10.83	9.549	2.843	1.105	2783	3.202	11.46	289.6	240.2	12.22	2.347	1	2.238	1.617	195.5	1.451
Canada	(C$)	26.22	4.837	4.266	1.270	0.494	1243	1.431	5.120	129.4	107.3	5.460	1.049	0.447	1	0.722	87.36	0.648
USA	($)	36.30	6.698	5.907	1.759	0.684	1722	1.981	7.090	179.2	148.6	7.561	1.452	0.619	1.385	1	121.0	0.898
Japan	(Y)	30.01	5.537	4.883	1.454	0.565	1423	1.638	5.861	148.1	122.8	6.250	1.200	0.511	1.145	0.827	100	0.742
Ecu	–	40.44	7.461	6.581	1.959	0.762	1918	2.207	7.898	199.6	165.5	8.423	1.618	0.689	1.543	1.114	134.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5706	0.5702	-0.0009	0.5740	0.5698	22,025	58,225
Mar	0.5734	0.5734	-0.0008	0.5734	0.5734	16	2,328
Jun	–	0.5772	–	–	–	36	2,513

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8342	0.8352	+0.0013	0.8362	0.8325	18,017	75,460
Mar	0.8457	0.8457	+0.0007	0.8457	0.8457	17	794
Jun	–	0.8563	–	–	–	112	165

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6942	0.6936	-0.0015	0.6970	0.6927	14,520	37,280
Mar	0.7010	0.7010	-0.0010	0.7010	0.7010	215	1,420
Jun	–	0.7087	–	–	–	16	175

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6072	1.6120	+0.0092	1.6130	1.6020	14,797	28,239
Mar	1.6060	1.6060	+0.0096	1.6070	1.6060	2	238
Jun	–	1.6010	+0.0106	1.6010	–	52	27

UK INTEREST RATES

LONDON MONEY RATES

Sep 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 6¾	7⅛ - 6¾	7⅛ - 7	7⅜ - 7¼	7½ - 7⅜	7⅝ - 7½
Sterling CDs	-	-	7⅛ - 7	7¼ - 7⅛	7⅛ - 7¼	7⅜ - 7⅜
Treasury Bills	-	-	6⅞ - 6⅞	7 - 6⅞	-	-
Bank Bills	-	-	7 - 6¾	7⅛ - 6⅞	7⅛ - 7⅛	-
Local authority deps.	6⅞ - 6¾	7 - 6⅞	7⅛ - 7	7⅛ - 7⅛	7⅛ - 7⅜	7⅜ - 7⅛
Discount Market deps	6⅞ - 6⅞	7 - 6⅞	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Sep 26. 6.8998pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 8.50pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Schemes IV & V 7.229pc. Finance House Base Rate 7½pc from Sep 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.55	92.56	-	92.57	92.54	29111	128170
Mar	92.52	92.51	-0.03	92.52	92.47	29080	105170
Jun	92.60	92.55	-0.07	92.60	92.50	34973	91779
Sep	92.76	92.72	-0.08	92.76	92.69	20812	68629
Dec	93.00	92.92	-0.10	93.00	92.90	12004	63545

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9250	0.12	0.17	0.28	0.05	0.16	0.23
9275	0.03	0.07	0.16	0.22	0.31	0.36
9300	0	0.03	0.08	0.44	0.52	0.53

Est. vol. total, Calls 7843 Puts 6850. Previous day's open int., Calls 166818 Puts 202978

EMS EUROPEAN CURRENCY UNIT RATES

Sep 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.765403	-0.001165	-4.17	8.65	28
Finland	5.85424	5.87701	+0.00574	0.39	1.81	-3
Italy	1906.48	1923.93	+4.58	0.92	1.28	-7
Spain	163.826	166.031	+0.228	1.35	0.85	-9
Portugal	197.398	200.210	+0.383	1.42	0.77	-10
Denmark	7.34555	7.48388	+0.00877	1.88	0.31	-13
Netherlands	2.16979	2.21371	+0.00252	2.02	0.18	-15
Germany	1.92573	1.96551	+0.00224	2.07	0.14	-20
Austria	13.5485	13.8322	+0.0149	2.09	0.11	-15
Belgium	39.7191	40.5623	+0.0416	2.12	0.08	-15
France	6.45863	6.60097	+0.00794	2.20	0.00	-19
NON ERM MEMBERS						
Greece	295.269	310.711	-0.137	5.23	-2.88	-
UK	0.793103	0.690455	-0.005882	-12.94	17.40	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.600	1.68	2.58	2.99	0.84	2.00	2.53
1.610	1.13	2.12	2.51	1.29	2.51	3.05
1.620	0.69	1.70	2.12	1.90	3.08	3.62

Previous day's vol., Calls 498 Puts 435. Prev. day's open int., Calls 28,455 Puts 23,269

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
0.560	1.07	1.46	1.71	0.18	0.46	0.61
0.565	0.72	1.14	1.41	0.32	0.63	0.80
0.570	0.44	0.86	1.14	0.53	0.86	1.03

Previous day's vol., Calls 696 Puts 1,339. Prev. day's open int., Calls 10,992 Puts 28,470

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.17	94.16	-0.01	94.18	94.16	47,192	593,588
Mar	94.12	94.09	-0.02	94.12	94.09	66,215	403,318
Jun	94.01	94.00	-0.02	94.03	93.99	44,747	313,682

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.99	94.98	-0.01	95.00	94.98	316	4,913
Mar	-	94.98	-	-	-	221	3,079

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9600	0.40	0.40	0.41	0.27	0	0	0.01	0.11
9625	0.17	0.18	0.20	0.11	0.02	0.03	0.06	0.20
9650	0.02	0.03	0.06	0.03	0.12	0.13	0.15	0.37
9675	0	0	0.01	0.01	0.35	0.35	0.36	0.60
9700	0	0	0	0	0.60	0.60	0.60	0.84

Est. vol. total, Calls 11020 Puts 15801. Previous day's open int., Calls 245538 Puts 292705

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9825	0.14	0.16	0.16	0.17	0.39	0.63
9850	0.05	0.07	0.08	0.33	0.54	0.80

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2950 Puts 2716

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Exeter Trust Limited	8.00	●Singer & Friedlander	7.00
Allied Irish Bank (GB)	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
●Henry Ansbacher	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
Duncan Lawrie	7.00	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.00		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Vietnam to stay biggest Asian coffee exporter

By Jeremy Grant and Khozem Merchant

Vietnam is likely to maintain its position as the biggest exporter of robusta coffee in Asia-Pacific next year – weather permitting – because of an aggressive planting programme that has raised yields significantly.

Analysts say the country has overtaken Indonesia as the region's top exporter because the latest El Niño weather system is causing extensive droughts and threatening to jeopardise Indonesia's 1998 crop.

Traders put Vietnam's 1996-97 crop at a record 300,000 tonnes once harvesting ends later this month, up from an earlier estimate of 250,000 tonnes. Robusta is the coffee used in soluble and instant blends.

Drought in areas that make up 80 per cent of Indonesia's output may cut total production in 1998 by 40 per cent, traders say. That would lower output to between 200,000-220,000 tonnes, from around 460,000 tonnes normally.

In Vietnam, by contrast, next year will see the fruits of a planting campaign that began three to five years ago, with production continuing to rise after this year's gains, said one trader based in Daklak, Vietnam's main coffee-growing area.

"It [Vietnam's crop] will probably be bigger next season, so it looks like Vietnam has taken over," he said. "Next crop we're looking at probably a minimum 350,000 tonnes."

About 30 per cent of Vietnamese coffee is bought by the US and a similar amount by Europe, while the remainder is exported to Asia and Australia. In 1980, Vietnam's production was negligible.

However, the trader warned that the communist-run country's rise in the international coffee market could be checked by lack of investment in processing.

Buyers frequently complain of poor quality, and consistency is a problem due to primitive drying methods.

"The crop's growing so fast that there's not an equivalent growth in processing, so you're looking at quality problems. They won't be able to keep up," the trader said.

Mr Thai Doan Lai, general director of Vinacafe, a large state coffee trader, said Hanoi planned to boost production of arabica coffee – the higher-grade beans – which currently accounts for only 5 per cent of output.

"We plan to modernise equipment to improve the quality of the product," he said. "This is part of the government's policy to industrialise the sector."

Planting programmes are under way in the northern provinces of Yen Bai and Son La, partly financed by a $40m French government loan to be signed in November. A first crop could be harvested by 2000.

Tocom failed to report income

The Tokyo Commodity Exchange, Japan's largest commodity exchange, admitted yesterday that it had failed to report some Y143m ($1.18m) in income to the Tokyo tax authorities over the past four years, Reuters reports from Tokyo.

The exchange also said it had spent about Y24m on tickets to fundraising parties for 49 local political groups.

"I regret to announce that we failed to report about Y143m in income in the past four years," Naozo Mabuchi, Tocom's president, told a news conference after an emergency meeting of the exchange's board.

"I would like to make a sincere apology for losing the trust of society," he added.

In a gesture to take responsibility for the failure, Mr Mabuchi said he would reduce his monthly salary by 20 per cent for the next six months.

"We purchased tickets for the fundraisers of politicians who have shown goodwill and understanding towards the commodities industry," said Mr Mabuchi, although he did not disclose the names of the politicians or the political groups involved.

Tocom, which is regarded as one of the world's most important price-setting markets for platinum and palladium, also trades yen-based futures contracts in gold, silver, aluminium, rubber and cotton yarn.

Mr Mabuchi, a former high-ranking official with the Ministry of International Trade and Industry, became the president of Tocom in 1986.

He promoted the introduction of automated trading in precious metals and yen-based aluminium futures.

Further rise in LME nickel

MARKETS REPORT

By Alison Maitland and Kenneth Gooding

Nickel prices on the London Metal Exchange rose strongly again yesterday. Nickel for delivery in three months has jumped by 9 per cent to $7,050 a tonne since Friday morning.

Some observers suggested a report that Norilsk, the big Russian nickel producer, was to close one of its plants, Pechenganickel, sparked yesterday's rise but Jim Lennon, analyst at Macquarie Bank of Australia, said traders had discounted this report even before it was denied by Norilsk.

"The nickel price rally appears to have no solid fundamental backing. The only buying has been speculative – almost entirely from chart-based funds, which has prompted short-covering elsewhere. There has been little or no buying from trade sources, who remain sceptical about the sustainability of the rally," he added.

The zinc market had been "spooked" by the LME's request for more information about futures and options positions both on and off the exchange, according to William Adams, analyst at Rudolf Wolff, a subsidiary of Noranda of Canada.

Zinc trading was quiet and the premium for metal for immediate delivery, compared with three-month metal, eased from $190-$200 a tonne on Friday to $160-$170.

The LME said yesterday that from tomorrow it would be lowering the level at which members would have to report "large positions".

The exchange also reported another big increase in copper stocks in its authorised warehouses. Macquarie analysts pointed out that the quarterly increase in copper stocks, of 207,021 tonnes, was the biggest on record.

Robusta coffee futures climbed to a two-week high on Liffe as traders focused on the lack of rain in Indonesia, the largest producer.

Early buying in New York, and reports of a prolonged drought in Indonesia's coffee belt, drove Liffe's November contract up $42 to close at the day's high of $1,608 a tonne. This was the highest level since mid-September.

However, in New York prices turned lower in the afternoon, with March contract falling 4.50 cents to 149.50 cents a pound.

Indonesian traders yesterday predicted that the crop could be down by as much as 120,000 tonnes on an average harvest of 430,000 tonnes if no rain arrived.

Crop forecasts stir sugar futures

After a long period of stability, sugar futures prices are enjoying a burst of activity and volatility.

In London yesterday, white sugar futures in London continued Friday's rise, but the December contract fell from the day's high to close up just 60 cents at $304.50 a tonne.

The move appears to be a reaction to a sharp decline in prices over the past two to three weeks, fuelled by growing signs that the European Union has produced a bumper sugar harvest.

Before that, prices had been stuck in a range between $320 and $330 a tonne for months. But last Thursday, the nearby delivery month fell to its lowest since January, encouraging bargain-hunting by buyers, notably from the Middle East and Africa.

Early estimates were for an EU crop below last year's, but the harvest benefited from ideal weather conditions Tony Andrews

Angela Mutton, sugar market analyst at ED & F Man, the London brokers, said the consensus of estimates for the harvest was about 17m tonnes, well up on last year's very good crop of 16.5m tonnes. Czarnikow, another London brokerage, estimates the crop at a "huge" 18.5m tonnes or higher.

Early estimates were for a harvest of below last year's, but the crop benefited from an ideal combination of good rain and sunshine.

"It will be coming out of the factories in the next few weeks, and will hit the market in the final quarter of this year and the first quarter of next year," said Ms Mutton. France, the biggest producer in the EU, has particularly high crop estimates and began processing earlier than usual because it expects a large tonnage.

Ms Mutton said the news should be bearish for the market, unless India imports a lot more white sugar than expected.

Current estimates are that India will import more than 1m tonnes of white sugar but good crops in other countries point to a global surplus that could meet expected Indian demand.

The longer-term outlook for prices is less clear. El Niño, the weather phenomenon caused by the warming of the tropical Pacific Ocean, has been playing its part in holding prices steady in recent months as funds have bet on tighter supplies in the event of damage to southern hemisphere sugar crops.

Funds had built up a large long position in the October raw sugar contract in New York and this has been unwound, sending prices lower, in the run-up to expiry today.

Some funds may roll over their positions into the contract for delivery next March, leaving room for New York to go quiet in the absence of fundamental news, says Chris Pack, sugar analyst with Czarnikow.

The expert view now is that this year's crops are unlikely to be badly affected by El Niño, so any major impact will not be seen until the second half of next year.

White futures on Liffe, meanwhile, are likely to be dominated by the size of the European crop, which should push prices down again. But Mr Pack cautions: "We've been in a market for some months that has been supported by funds expecting trouble from El Niño, and they'll come back in at the first hint that they're right."

Alison Maitland

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1633-4	1640-41
Previous	1626-7	1636-36.5
High/low		1649/1635
AM Official	1639-39.5	1647-47.5
Kerb close		1636-7
Open int.	257,253	
Total daily turnover	67,719	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1430-35	1460-65
Previous	1440-45	1470-71
High/low		1475/1465
AM Official	1437-42	1468-69
Kerb close		1460-70
Open int.	5,415	
Total daily turnover	769	

■ LEAD ($ per tonne)

Close	646-8	650-52
Previous	652-3	653-4
High/low		655/643
AM Official	649.5-50.0	651-52
Kerb close		645-6
Open int.	32,240	
Total daily turnover	5,513	

■ NICKEL ($ per tonne)

Close	6950-60	7040-50
Previous	6645-55	6740-50
High/low		7100/6810
AM Official	6870-80	6975-80
Kerb close		7080-90
Open int.	54,189	
Total daily turnover	56,625	

■ TIN ($ per tonne)

Close	5640-50	5680-9-
Previous	5600-10	5645-55
High/low		5730/5650
AM Official	5605-10	5650-55
Kerb close		5720-30
Open int.	18,459	
Total daily turnover	3,315	

■ ZINC, special high grade ($ per tonne)

Close	1604-9	1424-5
Previous	1618-23	1418-19
High/low	1624/1622	1432/1417
AM Official	1623-25	1426-26.5
Kerb close		1423-4
Open int.	82,321	
Total daily turnover	26,262	

■ COPPER, grade A ($ per tonne)

Close	2145-6	2166-7
Previous	2047.5-59.5	2085-87
High/low	2079	2180/2100
AM Official	2078.5-79.0	2105-06
Kerb close		2179-80
Open int.	148,144	
Total daily turnover	66,929	

■ LME AM Official £/$ rate: 1.6155
LME Closing £/$ rate: 1.6165

Spot: 1.6166 3 mths: 1.6107 6 mths: 1.6053 9 mths: 1.5995

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	98.05	+4.15	98.30	93.90	884	3,346
Nov	99.00	+4.30	99.10	95.70	51	1,853
Dec	99.45	+4.25	99.80	95.20	4,609	28,563
Jan	99.35	+3.85	99.20	99.20	11	1,058
Feb	99.15	+3.70	-	-	11	1,079
Mar	99.00	+3.80	99.40	95.80	185	4,818
Total					7,344	53,387

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	327.00-327.50		
Opening	326.95-327.25		
Morning fix	327.05	203.074	475.269
Afternoon fix	327.10	201.914	475.113
Day's High	327.30-327.80		
Day's Low	326.30-326.60		
Previous close	327.00-327.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.43	6 months	3.31
2 months	3.41	12 months	3.36
3 months	3.29		

Silver Fix	p/troy oz.	US cts equiv.
Spot	301.50	487.00
3 months	305.25	491.15
6 months	309.45	496.00
1 year	317.60	505.50

Gold Coins	$ price	£ equiv.
Krugerrand	75-77	46-48
Maple Leaf	-	-
New Sovereign	320-322	197-199

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	328.1	+1.2	328.5	326.5	1,688	4,000
Nov	328.8	+1.2	-	-	-	-
Dec	330.4	+1.4	330.9	328.3	36,005	116.4k
Feb	331.8	+1.4	332.5	330.4	1,770	15,612
Apr	333.6	+1.4	334.1	332.4	408	5,725
Jun	335.5	+1.3	336.2	334.8	133	8,834
Total					40,361	198,595

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	431.2	+3.5	433.0	428.5	3,596	5,225
Jan	427.0	+6.8	427.5	420.3	2,441	7,374
Apr	419.5	+7.8	417.0	417.0	113	738
Jul	415.5	+7.8	-	-	-	3
Total					6,159	13,349

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	196.85	+3.65	197.00	194.00	547	3,368
Mar	192.65	+3.65	192.50	189.00	15	339
Jun	192.15	+3.65	-	193.50	-	108
Total					562	3,816

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Oct	506.5	+28.1	-	510.0	-	-
Nov	508.5	+28.3	-	-	-	-
Dec	510.5	+28.3	512.0	482.0	15,680	58,854
Jan	512.0	+28.3	504.0	504.0	-	22
Mar	517.0	+28.4	518.0	494.0	614	13,433
May	520.5	+28.4	520.0	497.0	5	3,266

Jul524.2+28.4523.5517.042,368

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	20.76	-0.11	20.98	20.71	70,918	97,518
Dec	20.76	-0.12	20.96	20.74	41,074	65,958
Jan	20.70	-0.14	20.90	20.70	7,745	38,809
Feb	20.71	-0.07	20.83	20.70	3,862	18,316
Mar	20.63	-0.10	20.75	20.60	1,320	10,976
Apr	20.58	-0.10	20.65	20.57	1,403	8,921
Total					139,327	394,061

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	19.49	-0.07	19.64	19.43	15,430	63,939
Dec	19.56	-0.04	19.66	19.49	11,063	36,110
Jan	19.58	-0.05	19.64	19.48	3,912	25,136
Feb	19.53	-0.05	19.56	19.44	946	9,224
Mar	19.45	-0.07	19.45	19.40	259	4,262
Apr	-	-	-	-	-	2,302
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	57.25	-0.57	58.20	57.15	19,025	21,806
Nov	58.20	-0.67	59.20	58.05	30,238	41,437
Dec	59.00	-0.57	59.75	58.85	16,617	26,781
Jan	59.60	-0.42	60.15	59.50	4,398	21,835
Feb	59.65	-0.27	60.20	59.55	1,442	12,349
Mar	58.85	-0.32	59.05	58.75	1,124	8,690
Total					75,927	154,822

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	175.50	+2.25	176.50	174.25	9,490	20,454
Nov	177.25	+2.00	178.25	176.00	7,223	18,355
Dec	179.25	+2.25	179.75	177.75	2,633	16,958
Jan	180.50	+2.00	181.00	179.50	639	12,984
Feb	180.50	+1.75	181.00	179.75	606	7,598
Mar	176.50	+1.50	179.25	176.50	177	4,626
Total					22,000	92,983

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	10.930	+0.020	10.950	10.950	25	1,740
Nov	13.230	-	-	-	-	1,210
Total					285	11,346

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	3.040	-0.297	3.130	3.035	41,754	54,957
Dec	3.130	-0.196	3.200	3.110	19,725	30,983
Jan	3.105	-0.185	3.170	3.100	10,033	28,468
Feb	2.740	-0.160	2.800	2.730	6,763	18,886
Mar	2.470	-0.120	2.520	2.465	3,351	12,431
Apr	2.275	-0.095	2.315	2.275	1,509	7,497
Total					168,667	240,288

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	61.60	+0.26	62.15	60.90	15,249	13,867
Nov	59.35	-0.33	60.00	59.20	18,280	36,368
Dec	58.90	-0.25	59.30	58.60	4,333	15,427
Jan	58.85	-0.30	59.30	58.60	4,215	14,419
Feb	59.10	-0.35	59.25	59.10	978	4,344
Mar	59.75	-0.35	59.75	59.75	155	5,817
Total					43,389	182,941

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	86.00	-0.50	86.40	86.00	81	2,797
Jan	88.00	-0.40	88.15	88.00	49	3,024
Mar	90.00	-0.40	90.40	89.95	117	2,622
May	92.00	-0.40	92.40	92.00	35	1,456
Jul	94.00	-0.40	94.00	94.00	-	133
Sep	85.25	-	-	-	-	-
Total					n/a	n/a

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	359.00	+1.75	360.00	354.50	20,448	62,884
Mar	372.75	+1.75	373.50	368.00	5,582	25,278
May	380.00	+2.25	380.50	375.50	847	5,105
Jul	380.25	+1.00	381.00	376.50	1,392	11,023
Sep	382.00	+0.50	-	380.00	10	24
Dec	394.75	+1.75	395.00	392.00	71	2,759
Total					28,340	107,098

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	258.75	+1.25	259.75	255.50	32,450	194,406
Mar	267.50	+1.25	268.25	264.25	5,185	62,471
May	272.50	+1.25	273.25	269.25	799	15,265
Jul	276.25	+1.5	277.25	272.75	2,328	27,628
Sep	271.25	+2.25	272.00	269.00	112	2,036
Dec	271.00	+2	271.25	267.75	1,292	17,440
Total					42,177	319,448

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Nov	80.00	-0.50	80.00	80.00	27	1,075
Jan	82.00	-0.25	82.00	82.00	17	794
Mar	83.75	-0.35	83.75	83.75	-	340
May	84.90	-0.35	-	-	-	23
Total					n/a	n/a

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	627.00	-4.75	629.00	622.00	22,922	98,450
Jan	631.00	-4	633.00	626.00	3,647	27,698
Mar	638.75	-4	640.00	635.00	1,616	11,891
May	646.75	-4.5	649.00	643.50	2,817	10,889
Jul	653.75	-4.5	656.00	650.50	851	10,477
Aug	651.00	-3.5	652.00	648.00	5	179
Total					31,530	163,344

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	23.36	-0.28	23.54	23.25	5,737	7,759
Dec	23.74	-0.23	23.90	23.60	8,189	54,547
Jan	23.96	-0.21	24.05	23.84	1,078	15,574
Mar	24.14	-0.24	24.25	24.00	559	8,888
May	24.18	-0.23	24.28	24.08	2,076	6,813
Jul	24.25	-0.17	24.38	24.12	634	5,211
Total					18,273	99,823

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	209.5	-5.7	211.5	209.0	6,649	21,390
Dec	200.1	-2.5	201.9	199.0	6,327	45,415
Jan	198.8	-1.4	199.2	197.7	1,523	13,779
Mar	195.5	-1.6	196.0	194.5	1,397	12,404
May	195.2	-1	196.7	194.1	2,375	13,433
Jul	196.0	-0.7	198.0	196.5	518	6,270
Total					19,093	114,801

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	65.0	-	-	-	-	7
Mar	78.0	+3.0	-	-	-	-
Apr	98.0	+3.0	99.0	95.0	58	984
May	113.0	+3.0	-	-	-	22
Jun	123.0	+3.0	-	-	-	-
Total					n/a	n/a

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Sep	1280	-	-	-	-	361
Oct	1375	-	1395	1375	58	1,038
Nov	1475	+10	1475	1470	11	227
Jan	1480	+24	1495	1480	53	491
Apr	1495	+25	1485	1485	30	182
Total					n/a	n/a

	Close	Prev
BFI	n/a	1277

PULP AND PAPER

■ PULPEX OMLX (SS; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	608.50	+1.50	608.50	604.50	13	157
Mar	627.00	+8.00	627.00	622.25	38	173
Total					82	319

FUTURES DATA
All futures data supplied by CMS.

Wool
This week saw the first big offering of Australian superfine merino wool in Newcastle, and prices rose sharply on September 23. The main eastern market indicator rose 12 cents to 722 cents. The superfine indicator rose 278 cents to 1,692 cents, compared with the previous superfine offering in Newcastle in February, and edged up a further 12 cents to 1,705 cents by the end of the week. Finer merinos have been in particularly strong demand in Europe. Sydney futures prices eased after Tuesday's peaks. Divergence between merinos and crossbreds remains a market feature.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1111	+8	1115	1101	13	74
Dec	1139	-	1147	1128	1,184	47,841
Mar	1156	-1	1168	1151	1,348	51,228
May	1172	-2	1182	1168	119	22,909
Jul	1188	-2	1191	1185	153	8,745
Sep	1205	-	1210	1205	110	13,212
Total					n/a	n/a

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1682	+14	1710	1671	5,231	40,631
Mar	1712	+12	1740	1704	1,273	24,354
May	1732	+12	1745	1727	207	12,023
Jul	1751	+12	1771	1746	13	3,586
Sep	1768	+12	-	-	5	4,510
Dec	1785	+14	1788	1788	150	6,859
Total					6,728	102,145

■ COCOA (ICCO) (SDR's/tonne)

Sep 26	Price	Prev. day
Daily	1296.57	1323.00

■ COFFEE LIFFE (5 tonnes; $/tonne)

Sep	1597	+47	1579	1553	103	170
Nov	1607	+41	1608	1563	2,358	18,040
Jan	1630	+40	1608	1585	1,374	9,577
Mar	1636	+40	1635	1595	566	4,831
May	1645	+41	1645	1610	41	732
Jul	1653	+41	1612	1612	2	302
Total					n/a	n/a

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

Dec	160.75	-4.85	172.50	160.50	3,151	12,638
Mar	149.80	-4.20	159.00	149.50	672	6,218
May	145.00	-3.75	153.00	145.00	204	1,972
Jul	140.00	-3.50	149.75	140.00	25	1,805
Sep	135.00	-3.25	140.00	135.00	4	508
Dec	130.15	-3.10	136.00	132.00	20	326
Total					4,066	23,482

■ COFFEE (ICO) (US cents/pound)

Sep 26		Prev. day
Comp. daily	126.43	126.68
15 day average	130.98	131.97

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	304.5	+0.7	305.5	302.0	1,010	9,832
Mar	310.2	+0.9	310.9	308.5	1,014	15,498
May	314.5	+0.2	315.8	314.0	145	3,213
Aug	317.4	+1.2	317.3	316.0	267	1,892
Oct	314.8	+1.4	314.1	313.5	18	2,529
Dec	315.8	+1.3	314.1	314.1	4	124
Total					2,442	33,105

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.04	+0.15	11.07	10.89	8,302	14,591
Mar	11.56	+0.11	11.58	11.46	13,084	91,768
May	11.69	+0.07	11.70	11.62	2,410	23,779
Jul	11.53	+0.05	11.55	11.51	611	18,266
Oct	11.52	+0.04	11.53	11.49	607	15,061
Mar	11.48	+0.04	11.48	11.44	133	2,893
Total					25,158	166,577

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	70.54	-	71.10	70.50	78	120
Dec	73.09	-0.15	73.15	72.80	7,373	47,629
Mar	74.30	-0.10	74.35	74.10	593	14,900
May	74.98	-0.11	74.95	74.80	288	6,572
Jul	75.60	-0.03	75.60	75.60	81	6,242
Oct	75.45	-	75.45	75.46	82	831
Total					8,703	84,345

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	71.70	-1.50	73.25	71.80	3,001	17,970
Jan	74.80	-1.30	76.20	74.70	1,113	10,007
Mar	77.50	-1.40	78.90	77.50	302	7,018
May	80.10	-1.30	81.30	80.50	123	1,670
Jul	82.60	-0.80	83.25	83.00	3	895
Sep	84.60	-0.30	-	-	-	274
Total					4,749	37,769

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 29	Sep 26	month ago	year ago
1893.0	1883.8	1920.2	1900.7

■ CRB Futures (Base: 1967 = 100)

Sep 26	Sep 25	month ago	year ago
242.72	242.99	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 26	Sep 25	month ago	year ago
203.80	203.03	190.92	204.34

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+5,250	to	733,025
Aluminium alloy	-280	to	50,400
Copper	+5,250	to	327,7—
Lead	-	to	121,500
Nickel	+72	to	60,714
Zinc	-325	to	433,825
Tin	+140	to	11,265

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	68.250	-0.175	68.850	68.175	5,217	20,871
Dec	67.875	-0.200	68.525	67.825	5,414	36,596
Feb	70.550	-0.375	71.250	70.550	1,449	15,890
Apr	73.475	-0.300	74.050	73.450	794	10,131
Jun	70.200	-0.275	70.700	70.150	155	6,742
Aug	70.000	-0.100	70.350	70.000	33	2,050
Total					13,062	92,143

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Oct	69.625	+0.375	69.750	69.250	2,406	9,397
Dec	65.425	+0.025	66.250	65.050	2,285	10,832
Feb	64.500	-0.075	65.100	63.800	730	4,096
Apr	60.775	-0.200	61.450	60.300	277	1,796
Jun	66.850	+0.425	66.925	66.400	119	1,258
Jul	65.250	+0.450	65.400	65.050	24	785
Total					5,882	28,659

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	63.150	-0.500	65.150	62.800	902	5,128
Mar	63.200	-0.200	64.800	62.750	58	478
May	63.900	-0.275	65.700	63.900	22	112
Jul	65.150	-0.050	66.500	64.750	17	73
Aug	64.950	+1.200	65.000	63.000	2	10
Total					995	5,818

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1500	147	153	3	19
1600	64	87	18	48
1700	17	42	70	102
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2000	180	204	11	38
2100	105	140	36	71
2200	52	90	82	120
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
n/a				
n/a				
n/a				
■ COCOA LIFFE	Dec	Mar	Dec	Mar
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1900	68	-	25	44
1950	46	75	42	-
2000	25	51	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.56-8.61w	-0.085
Brent Blend (dated)	$19.28-9.35	
Brent Blend (Nov)	$19.55-9.57	+0.06
W.T.I.	$20.79-0.81w	+0.03

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$203-205	
Gas Oil	$177-180	+2.5
Heavy Fuel Oil	$94-96	+2
Naphtha	$200-201	
Jet fuel	$192-194	+2
Diesel	$186-188	+2.5

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	10.90-11.00	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

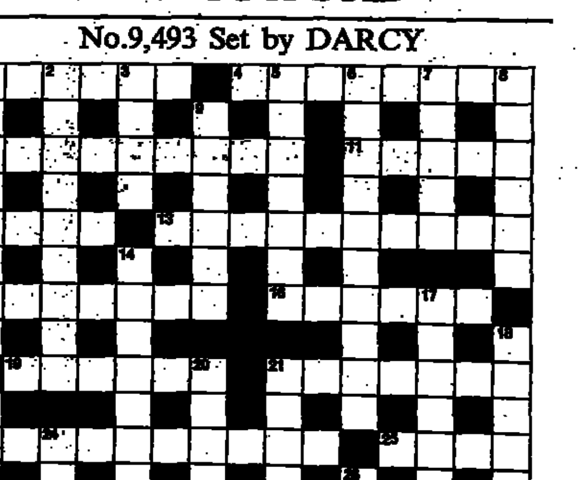
Gold (per troy oz)§	$327.25	
Silver (per troy oz)§	504.00c	+25.0
Platinum (per troy oz.)	$429.00	-1.00
Palladium (per troy oz.)	$195.00	+2.00
Copper	100.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	16.44r	
Tin (New York)	266.5	+1.00
Cattle (live weight)	97.10p	-1.37*
Sheep (live weight)	109.22p	+0.17*
Pigs (live weight)†	83.10p	+2.88*
Lon. day sugar (raw)	$267.40	+4.40
Lon. day sugar (wte)	$305.00	+3.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)¥	58.50p	
Rubber (Nov)¥	58.50p	
Rubber (KL RSS No1)	269.0z	+1.5
Coconut Oil (Phil)§	665.0y	-5.0
Palm Oil (Malay.)§	545.0z	-15.0
Copra (Phil)§	$420.0z	-5.0
Soyabeans (US)	221.0	
Cotton Outlook'A' Index	79.50c	
Wooltops (64s Super)	437p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Oct/Nov. w Nov. ¥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,493 Set by DARCY



ACROSS

1 Limbo-dancing finally acceptable in US port (6)
4 Nearly time to have a pint? I must fly! (8)
10 Stiffen lip first – one's above that sort of thing (5-4)
11 Man appearing after I'd given sort of speech (5)
12 Be inclined to collect clippings? (4)
13 Fly-by-night of a sort? She is (3,7)
15, 16 I'll sort out ticket-collectors on some lines .... (7,6)
19, 21 .... half of them are on the same kind of fiddle! (6,7)
23 Fuel editor's excitement? I may chase up a long shot (10)
25 Duck twice, seeing double, perhaps (4)
27 Steal from trendy motif on seasonal cards? (5)
28 Teams involved in races before church event featuring 23? (4,5)
29 Each is extremely willing to interrupt Europeans (8)
30 Catch an associate almost doing a U-turn (6)

DOWN

1 Get soft with club over what's charged (8)
2, 24 Flakes out here, in the early hours? (9-5)
3 See how some northerners speak the gospel? (4)
5 One chose to alter western extravaganza (3,4)
6 Version of "Butterfly" has two performances involving nudity (10)
7, 17 One may put the squeeze on – it should bear fruit (5,9)
8 Branching out more as .... (6)
9 .... the signs may be about to help Australia's set-up (6)
14 Being capable of changing "EEC" if I fancy cutting article (10)
17 See 7
18 Enterprise displayed in futuristic film-sets? (8)
20 Lie up, overcome by booze? You need protein (7)
21 Queen's made comfortable, feeling unwell (6)
22 Long-term study of racing venue (6)
24 See 2
26 Final word not quite correct (4)

Solution to Saturday's prize puzzle on Saturday October 11.
Solution to yesterday's prize puzzle on Monday October 13.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Jardine Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

Global Funds

Latest Fund Prices 24hr service 01481 718045

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 249, St Peter Port, Guernsey 01481 723027

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 01481 710601

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Scottish Value Management (Ireland) Ltd (a)

St Stephen's Green, Dublin 2 00 35314757601

Chemical Ireland Fund Administrators Ltd

CIM Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

CITC Select Fund Plc

Singer & Friedlander Inv Funds Ltd (a)

21 New Street, Bishopsgate, EC2M 4HR 0171-626 8228

CoreStates Fund Management (Ireland) Ltd

Daiwa Europe Fund Mgrs Ireland Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Aetna Master Fund (z) (x)

21 avenue de la Liberte, L-1931, Lux 00 352 2854 941

American Phoenix Investment Portfolios (u)

BAII Asset Management Ltd

10 Piccadilly, London W1V 9EE 0171 734 3700

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (a)

Foreign & Colonial Portfolios Fd Sicav (u)

Frontrunner I (x)

Morgan Stanley Sicav - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	—	[illegible]	[illegible]	1,904	3.0	♦
Barlow	♦†	[illegible]	[illegible]	[illegible]	[illegible]	1,434	2.1	14.7
Gold Flds Prop R	†	140¼	[illegible]	167	122	14.4	6.1	10.9
SA Brews		[illegible]	[illegible]	[illegible]	£13¼	6,170	2.2	♦
Standard Bank		[illegible]	[illegible]	£30	£21	3,273	2.0	♦
Tiger Oats	†	[illegible]	+13	1100	790	1,482	2.0	17.9
Tongaat-Hulett		761¼	-5	789¼	676¼	730.5	2.5	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. s Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualise yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
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LONDON STOCK EXCHANGE

Footsie equals record then dips on profit-taking

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A minor bout of profit-taking in London's equity market came as no surprise after the massive surge that followed Friday's report that the government was warming to European economic and monetary union.

And there were plenty of other excuses for brokers to advise clients to lock in the big profits accrued over the past two weeks, during which the FTSE 100 has risen a massive 367.8 points, or 7.5 per cent.

Dealers pointed to the Emu story, which attracted scepticism in the weekend press, today's meeting of the US Federal Reserve's open market committee and the Labour party conference, all of which could cause substantial market moves.

After a much quieter session, Footsie was left with a modest 6.0 decline at 5,220.3, having traded in a 41.7 point range and equalled its intraday record of 5,244.3 in the process.

Unlike the more volatile Footsie, the FTSE 250 and SmallCap indices were always in positive territory. The former recorded intraday and closing highs, hitting a peak of 4,816.9 before finishing 7.0 firmer at 4,816.1.

The SmallCap was finally up 3.6 at 2,324.7, still some distance from its intraday and closing records, 2,375.2 and 2,374.2 respectively, reached on March 12.

The FTSE All-Share index closed 1.26 down at 2,444.60, but not before reaching an intraday record of 2,452.84.

"It was a bit of a choppy day but the initial profit-taking was well received and the market did nothing more than consolidate after that," said one senior market maker.

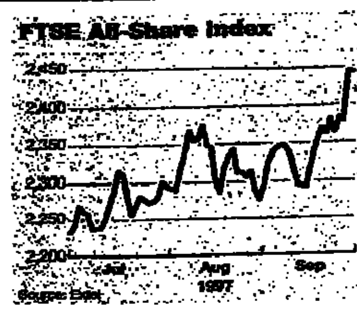
BZW's strategy team said it backed the market's positive reaction to the European integration theme. It raised its 1998 target for Footsie to 6,000 and pointed out that the government's reported warming towards Emu "essentially builds on policy measures already taken – a tight budget and the decision to make the Bank of England independent".

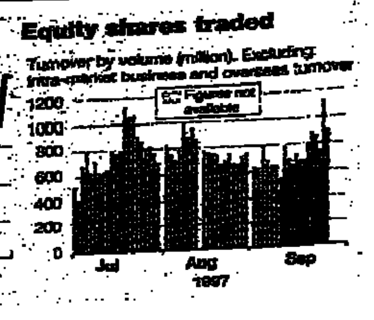
The investment bank added that the 80 basis points plunge in gilt yields over the past month, the anticipation that short rates will peak next year and the prospect of the UK moving closer towards monetary integration with Europe, all support the view that UK equities are cheap.

Ian Scott, Lehman Brothers' UK strategist, hoisted his end-1997 Footsie target to 5,500 and that for mid-year 1998 to 5,800. He said the market's initial 3 per cent rise "has further to go, while London has scope to continue its recent outperformance versus other European equity markets, at least on a hedged basis".

The head of UK equities at one big London-based investment management group said he felt London would extend its strong performance, at least until the shift to order-driven trading on October 20. He said Footsie could well reach 5,500, if Wall Street continued to move ahead and if the Fed leaves rates on hold.

Turnover in the equity market reached 811.1m shares, with non-Footsie stocks accounting for 48 per cent of the total.





Indices and ratios

FTSE 100	5220.3	−6.0
FTSE 250	4816.1	+7.0
FTSE 350	2505.6	−1.6
FTSE All-Share	2444.60	−1.26
FTSE All-Share yield	3.19	3.18

FT 30	3363.5	−10.7
FTSE Non-Fins p/e	20.38	20.46
FTSE 100 Fut Dec	5308.0	−28.0
10 yr Gilt yield	6.53	6.47
Long gilt/equity yld ratio	2.06	2.05

Best performing sectors

1. Insurance +1.6
2. Electricity +1.5
3. Engineering: Vehicles +1.3
4. Water +1.2
5. Engineering +0.7

Worst performing sectors

1. Telecommunications −1.6
2. Household Goods −1.5
3. Retailers: Food −1.4
4. Electronic & Elect −0.8
5. Chemicals −0.7

Safeway buy-back hopes

By Joel Kibazo, Peter John and Martin Brice

Food retailers were lively as dealers and analysts reflected on news that Asda and Safeway, Britain's third and fourth largest food retailers, had suspended talks on a £9bn merger.

The news took seasoned sector specialists by surprise and prompted heavy dealing in all the sector's leading stocks.

The bears took hold of Asda sending the shares 5 lower to 159p in trade of 10m. Dealers said the talks were a sign that the group had acknowledged its limited growth prospects.

The market took the opposite view of Safeway. The shares put on 9½ to 405½p, in a busy session that brought volume of 9.9m.

One dealer said: "This is a sign that Safeway is keen to unlock shareholder value. The company will do something even if it is not a merger. It may go for a share buy-back."

The abandoned talks led to doubts about defensive stocks such as food retailers among some leading investors. Such doubts, combined with fears of a price war in the sector in the wake of the aborted merger, prompted a sell off among sector leaders.

J. Sainsbury surrendered 8 to 459p while Tesco, which was also reported to have hired Goldman Sachs to find a buyer for its French store chain Catteau, retreated 16 to 472½p. However, bid speculation for WM Morrison Supermarkets saw the shares gain 12 to 210p.

Reed International was the most hard hit of the blue chips as investors continued to shy away from the stock following Friday's revelations that its travel group arm had overstated circulation figures.

The shares were off 29½ at 507p by the close, representing a slide of more than 13 per cent in the stock over the past two trading days. And turnover of 11m suggested the uncertainty was generating real selling rather than a mere market-maker-led reduction.

Weekend press reports speculated on an exceptional charge of up to £200m and analysts were yesterday factoring a reduction in earnings forecasts of about 2.5 per cent a year for the next few years.

However, there was some support from Standard & Poor's, the US credit rating agency, which affirmed its principal debt ratings on the Reed Elsevier group.

Overseas earners put in a strong performance on hopes of a lower pound if the UK joins Emu, and the more liquid shares of engineering exporters were a feature of the FTSE 100 risers.

While analysts said they were not upgrading forecasts, Harry Philips at Panmure Gordon said the stocks were rising on the "possibility that clearly we have come to the end of currency-induced downgrades".

Rolls-Royce, which has only 20 per cent of its sales in the UK, gained 6½ to 246p, while BAe recovered some of the ground lost last week after the Airbus crash in Indonesia as it rose 27½ to £16.48½.

TI Group put on 13½ to 677½p and GKN rose 22 to £14.41½. Smiths Industries advanced 25½ to 928½p.

Early profit-taking among the banks was reversed later as some brokers, including SBC Warburg, reiterated their support for the sector.

National Westminster, which had been off 34 at one stage, closed only 16 lower at 928p, and Barclays, which was off 20 earlier, closed steady at £16.64. Bank of Scotland was a net 10 higher at 528½p, the sector's biggest percentage gain.

The sector jumped 6 per cent on Friday after a report saying the government wanted to join a single European currency soon after its launch in 1999.

British Steel surrendered 5¼ to 182¼p, compounding its recent underperformance of the market. The company reports interims on November 11 and enters its closed season soon. T&N gained 11 to 253½p. There has been market talk that the three big shareholders in the company – PDFM, M&G and Schroders – have been saying they would not accept less than 280p a share from Federal-Mogul, the US company that has made an indicative 235p a share offer.

However, Mr Ron Tadross, of Salomon Brothers in New York said Dana, which had been tipped as a potential white knight bidder, would have "anti-trust issues in the sealing and gasket areas".

Reuters Holdings lifted 18½ to 729p after Lehman Brothers raised its year-end valuation target for the shares from 700p to 720p to reflect sterling's recent weakness.

Capital Radio improved 13½ to 481p. It placed 14m shares, a 12.9 per cent stake, in GWR via HSBC James Capel and SBC Warburg at 170p a share.

Enterprise Oil bounced 12 to 676½p as BZW repeated a "buy" recommendation on the stock. BZW noted recent underperformance of the stock and said the market had over-reacted to a delay in developing oil fields in southern Italy.

JKX Oil & Gas gained 7 to 56p boosted by weekend press comment before the bid from Ramco Energy formally ends. Scottish Power, which has sold its Southern Water subsidiary, Nationwide Maintenance, in a management buy-out, improved 19 to 471½p.

ROY PERRY

Roy Perry, former chief stock market reporter of the Financial Times, died on Saturday aged 68 after a long illness.

A long-serving reporter at the FT, Roy led the newspaper's stock market reporting team from the early 1980s until his retirement in 1991.

He joined the newspaper in 1953, employed initially in the library and then quickly moved on to the prices room, where his talent for mental arithmetic and a general sharpness of mind were soon recognised.

He moved on to the stock market page, and then to the mining room, before returning to the stock market reporting team.

It was here that he rapidly established a reputation as a reporter with an instinct for where the next market story was likely to break and for his reliability in collating stock prices and, more importantly, information.

The stock market of the 1980s, where the pre-Big Bang boom was followed by the crash of 1987, was the perfect battleground for Roy, whose extensive network of long-standing, top-quality contacts ensured he was at the heart of stock market events.

Many financial journalists working in the City today learnt their trade from Roy. He leaves a wife, Irene, two sons and a daughter.

FT 30 INDEX

	Sep 29	Sep 26	Sep 25	Sep 24	Sep 23	Yr ago	*High	*Low
FT 30	3363.5	3374.2	3276.5	3278.2	3254.0	2834.8	3363.5	2668.8
Ord. div. yield	3.35	3.34	3.45	3.45	3.48	4.00	4.22	3.34
P/E ratio net	21.94	21.99	21.31	21.33	21.16	17.25	21.99	15.80
P/E ratio nil	21.64	21.69	21.02	21.04	20.87	17.09	21.69	16.71

FT 30 since compilation: high 3374.2 26/09/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3365.9	3361.4	3374.7	3360.2	3355.6	3354.1	3359.8	3360.8	3365.9	3380.4	3352.8

	Sep 29	Sep 26	Sep 25	Sep 24	Sep 23	Yr ago
SEAQ bargains	61,404	61,865	39,857	39,868	43,331	42,124
Equity turnover (£m)†	–	3430.1	2633.2	2893.2	2752.5	1486.2
Equity bargains†	–	56,407	40,219	41,519	42,640	39,455
Shares traded (mil)†	–	1031.8	902.3	1127.9	746.2	547.2

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	822	Total Highs	199	Total contracts	41,471
Total Falls	690	Total Lows	50	Calls	24,981
Same	1,555			Puts	16,490

Sep 29 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5311.0	5304.0	−32.0	5345.0	5280.0	7733	66812
Mar		5351.0	−30.0			0	1973

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4883.0	+8.0			0	8653

FTSE 100 INDEX OPTION (LIFFE) (*5221) £10 per full index point

	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 2,003 Puts 2,833

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 5,609 Puts 3,701. * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*–	F.P.	444.2	165	152½	Aggreko	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	–	415	395	Antofagasta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	5.25	105	102	†Aram Res	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	91.7	118¾	101	Bristol & W	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	32.8	154½	109½	Cammell L	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	8.79	155	109½	†Computer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	F.P.	–	129	114	EMI B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	6.91	65	52½	†GR Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§125	F.P.	5.43	135	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§134	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§160	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§129	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	–	39½	30	Severn Trent B	34	−2	–	–	–	–
–	F.P.	–	54½	37½	†Stentor Warrants	43½		–	–	–	–
	F.P.	–	22¾	19½	Thorn B	20	−½	–	–	–	–
–	F.P.	73.2	68½	55½	Viglen Tech	60	+2½	–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 26	% chg on day	Sep 25	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1424.59	+0.2	1421.44	1888.91	2.12	–	1986.11	1270.14
Regional Indices								
Africa (15)	1326.88	+3.8	1278.24	2520.15	5.74	22.78	2546.97	1224.90
Australasia (6)	1489.42	+1.8	1463.29	2099.63	2.89	17.58	2218.00	1336.10
North America (11)	1464.19	−1.0	1479.57	1683.15	0.94	57.78	1839.77	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 29	Day's chge%	Sep 26	Sep 25	Sep 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5220.3	−0.1	5226.3	5065.5	5077.2	3953.7	3.12	2.06	19.48	126.84	2245.33
FTSE 250	4816.1	+0.1	4809.1	4716.2	4722.9	4391.1	3.49	1.78	20.18	119.52	2026.38
FTSE 250 ex IT	4830.5	+0.2	4822.9	4727.6	4734.1	4420.7	3.61	1.82	19.05	123.79	2038.93
FTSE 350	2505.6	−0.1	2507.2	2435.5	2440.7	1969.8	3.19	2.00	19.61	61.15	2201.11
FTSE 350 ex IT	2507.9	−0.1	2509.5	2437.1	2442.2	–	3.21	2.01	19.38	29.16	1129.91
FTSE 350 Higher Yield	2411.4	.....	2410.3	2348.8	2361.7	1881.3	4.27	1.81	16.17	75.60	1800.76
FTSE 350 Lower Yield	2602.6	−0.2	2606.7	2525.6	2524.1	2065.4	2.31	2.28	23.69	46.96	1865.96
FTSE SmallCap	2324.65	+0.2	2321.13	2306.86	2304.80	2167.10	3.16	1.62	24.50	51.43	1986.43
FTSE SmallCap ex IT	2301.67	+0.1	2298.87	2286.31	2284.40	2159.92	3.42	1.68	21.76	55.32	1984.72
FTSE All-Share	2444.60	−0.1	2445.86	2379.37	2383.98	1945.00	3.19	1.98	19.86	59.29	2179.29
FTSE All-Share ex IT	2447.79	−0.1	2449.12	2381.52	2386.19	–	3.22	1.99	19.49	28.48	1122.52

FTSE Actuaries Industry Sectors

	Sep 29	Day's chge%	Sep 26	Sep 25	Sep 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	5112.68	+0.1	5105.82	4988.27	4987.02	3811.25	3.04	1.85	22.20	125.85	2307.08
12 Extractive Industries(6)	4119.02	−0.2	4128.26	4092.12	4113.92	4245.34	3.43	1.88	19.38	139.41	1269.51
15 Oil, Integrated(3)	5511.44	+0.2	5500.54	5330.53	5346.26	3921.24	3.12	1.82	21.93	134.75	2557.45
16 Oil Exploration & Prod(12)	3811.87	+0.1	3808.22	3722.13	3761.53	2831.71	1.53	2.35	34.88	52.19	2344.29
20 GEN INDUSTRIALS(262)	2158.02	+0.1	2155.40	2101.58	2110.00	2096.39	3.63	1.94	17.74	58.39	1243.26
21 Building & Construction(35)	1388.96	−0.2	1391.75	1383.18	1380.95	1193.64	3.29	2.25	16.82	35.49	1217.36
22 Building Matls & Merchs(30)	1832.58	−0.3	1838.47	1811.65	1857.01	1968.32	4.36	1.88	15.23	55.26	975.68
23 Chemicals(26)	2726.38	−0.7	2747.20	2699.81	2705.88	2518.64	3.72	1.84	20.53	78.26	1367.98
24 Diversified Industrials(15)	1551.58	+0.6	1542.22	1492.04	1502.54	1565.23	4.48	2.42	11.53	60.84	935.02
25 Electronic & Elect Equip(37)	2204.69	−0.8	2223.13	2193.84	2200.32	2338.27	3.72	1.85	20.38	51.93	1200.46
26 Engineering(65)	2977.55	+0.7	2957.37	2873.82	2866.82	2628.66	2.84	2.44	18.02	59.38	1864.60
27 Engineering, Vehicles(13)	3765.18	+1.3	3718.29	3431.91	3402.69	3229.52	2.48	‡	‡	76.20	2040.46
28 Paper, Pckg & Printing(27)	2348.27	+0.2	2343.89	2307.49	2307.25	2960.21	4.40	1.98	14.39	76.63	1035.30
29 Textiles & Apparel(14)	1068.62	−0.4	1072.74	1081.46	1065.26	1183.76	6.29	1.17	17.01	47.52	707.17
30 CONSUMER GOODS(93)	4730.14	.....	4730.44	4664.15	4693.29	3735.92	3.14	1.89	21.08	123.74	1840.88
32 Alcoholic Beverages(7)	3311.92	+0.1	3306.68	3274.60	3280.45	2779.36	3.78	2.02	16.44	101.52	1268.52
33 Food Producers(23)	3091.84	−0.6	3110.13	3080.76	3057.98	2932.38	3.48	1.86	19.05	77.21	1489.57
34 Household Goods(17)	3120.71	−1.5	3169.07	3158.94	3160.06	2721.22	3.20	2.03	15.97	59.29	1285.25
36 Health Care(14)	2254.87	+0.1	2251.92	2221.76	2192.89	2035.67	2.67	1.75	26.72	42.63	1420.22
37 Pharmaceuticals(12)	7622.75	−0.4	7650.93	7592.35	7744.19	5800.54	2.24	1.81	30.68	182.93	2769.64
38 Tobacco(3)	4380.20	−0.6	4404.43	4349.67	4409.77	3604.36	6.43	1.85	10.53	240.05	1191.36
40 SERVICES(270)	2665.40	−0.4	2675.98	2640.73	2644.66	2561.98	2.63	2.04	21.63	61.46	1554.83
41 Distributors(30)	2858.24	−0.3	2865.78	2812.56	2813.80	2832.00	3.26	1.98	19.39	89.87	1102.43
42 Leisure & Hotels(31)	3347.01	+0.1	3343.59	3287.18	3276.56	3141.93	2.80	1.98	22.54	63.52	1868.47
43 Media(41)	4277.46	−0.2	4284.24	4273.09	4269.93	4360.29	2.36	1.81	27.46	68.22	1600.44
44 Retailers, Food(15)	2815.08	−1.4	2851.20	2881.80	2628.16	1926.34	3.20	2.27	17.18	80.20	1751.20
45 Retailers, General(53)	2348.45	−0.3	2355.95	2317.40	2314.23	2114.72	3.04	2.16	19.02	54.71	1407.89
47 Breweries, Pubs & Rest.(22)	3315.62	−0.2	3321.90	3317.12	3367.16	3098.08	3.42	2.29	15.95	83.47	1658.70
48 Support Services(55)	3361.46	−0.5	3376.35	3318.88	3309.98	2947.31	1.56	2.73	29.35	37.10	2197.00
49 Transport(23)	3049.33	−0.2	3054.52	2991.89	3008.03	2531.37	3.30	1.40	27.12	73.64	1337.56
60 UTILITIES(32)	3182.76	−0.2	3187.72	3124.85	3137.91	2268.58	4.39	1.48	19.24	77.35	1482.86
62 Electricity(9)	3624.85	+1.5	3569.81	3504.45	3535.92	2334.13	4.90	2.01	12.89	116.83	2062.75
64 Gas Distribution(2)	2414.01	−0.1	2417.37	2343.35	2356.81	1342.97	4.22	‡	‡	54.50	1358.82
66 Telecommunications(8)	2384.14	−1.6	2422.49	2396.78	2400.80	1624.76	3.62	1.50	21.74	44.89	1147.15
68 Water(12)	3124.55	+1.2	3087.54	2982.55	2969.32	2158.36	5.31	2.27	10.38	90.96	1871.00
69 NON-FINANCIALS(670)	2439.47	−0.1	2441.54	2386.91	2406.00	2045.99	3.30	1.86	20.39	59.31	1952.77
70 FINANCIALS(105)	4955.75	.....	4953.53	4883.36	4886.85	3185.49	2.96	2.42	17.30	124.85	2254.72
71 Banks, Retail(11)	7696.43	−0.2	7708.49	7348.91	7210.56	4685.39	2.72	2.63	16.15	184.45	2654.57
73 Insurance(17)	2054.72	+1.6	2021.55	1997.02	1990.84	1484.39	4.29	2.05	10.18	75.57	1681.18
74 Life Assurance(6)	5391.17	+0.1	5387.00	5108.14	5115.43	3544.39	3.39	2.30	16.07	145.55	2368.12
77 Other Financial(27)	3431.34	+0.2	3424.04	3330.44	3331.84	2654.50	3.13	2.00	19.97	79.03	2055.72
79 Property(42)	2092.85	−0.2	2096.55	2041.21	2042.52	1658.20	3.13	1.34	29.82	39.46	1349.62
80 INVESTMENT TRUSTS(127)	3580.24	−0.1	3578.08	3528.39	3533.81	3207.09	2.12	1.17	50.50	52.69	1288.17
89 FTSE All-Share(902)	2444.60	−0.1	2445.86	2379.37	2383.98	1945.00	3.19	1.98	19.86	59.29	2179.29
105 FTSE All-Share ex IT(775)	2447.79	−0.1	2449.12	2381.52	2386.19	–	3.22	1.99	19.49	28.48	1122.52
FTSE Fledgling	1282.92	+0.1	1281.07	1276.18	1276.44	1238.82	3.20	1.03	37.97	30.45	1397.88
FTSE Fledgling ex IT	1284.89	+0.1	1283.62	1278.68	1279.50	1250.76	3.35	1.03	34.03	31.66	1403.04
FTSE AIM	1019.4	–	1019.4	1017.4	1016.4	–	1.04	0.85	80.00†	6.18	936.60

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5221.3	5208.0	5234.3	5218.3	5211.0	5207.7	5219.5	5217.3	5221.0	5244.3	5202.6
FTSE 250	4810.0	4811.6	4814.0	4813.0	4812.6	4812.1	4812.9	4814.4	4816.7	4816.9	4810.0
FTSE 350	2506.4	2499.6	2510.5	2503.7	2501.6	2500.6	2505.0	2504.3	2506.0	2514.7	2499.3
FTSE SmallCap	2322.01	2322.61	2322.65	2323.24	2323.89	2323.94	2324.33	2324.02	2324.55	2324.76	2322.01
FTSE All-Share	2444.21	2438.97	2449.24	2442.80	2440.92	2439.89	2444.00	2443.33	2444.62	2452.84	2437.82

Time of FTSE 100 Day's high: [illegible] Day's low: [illegible]. FTSE 100 1997 High: 5268.3 [illegible] Low: 4056.6 [illegible]. Time of FTSE All-Share Day's high: [illegible] Day's low: [illegible]. FTSE All-Share 1997 High: [illegible] Low: [illegible].
Further information is available on http://www.ftse.com.

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletions: [illegible]. Insertions: [illegible].

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
BPB	782	341½	+2
BSkyB†	1,400	464½	−5½
BT†	11,300	412½	−5
BTR†	6,600	248½	+2½
Bank of Scotland†	6,900	528½	+10
Barclays†	4,500	1664	−½
Bass†	1,800	831½	−1
Billiton†	3,700	240	+1½
Blue Circle†	1,000	396½	−4
Boots†	2,100	873½	−13½
Britannic	415	982½xd	+10½
Brit. Aerospace†	1,700	1648½	+27½
British Airways†	1,400	692½	+6½
British Biotech	705	161½	
British Borneo	213	470½xd	
British Energy	3,700	335	+11½
British Land†	1,300	641½	−6
British Steel†	7,900	182¼	−5¼
Bunzl	835	261½	+½
Burmah Castrol	121	1090	+30½
Burton	7,200	134¼	−3½
CMG	4	1477½	+5
Cable & Wire†	4,800	525	−15
Cadbury Schweppes†	1,900	580½	+5
Caradon	1,100	194½	−1½
Carlton Comms.†	602	505	+½
Centrica†	13,500	93¼	−½
Comm. Union†	3,000	818½	+32
Compass	1,000	670	+10
Cookson	1,400	250½	−1
Courtaulds	1,000	344½	−6½
Daily Mail A	1	1822½	
Danka	9	660	
Dixons†	1,900	637½	
EMAP	38	885	+4
EMI†	2,500	614½	+2
Electrocomps	843	458½	−1
Energy Group†	994	653½	+7
Enterprise Oil†	3,900	675½	+12
FKI	391	209	−2
Flextech	10	608	
Foreign & Col. I.T.	932	178	−¼
Gallaher	1,300	285½xd	
Gen. Accident†	2,500	1097½	+17½
General Elect.†	3,800	385	−7
Glaxo Wellcome†	3,500	1385	+4
Granada†	2,900	886½	−13½
Grand Met.†	1,500	586½	
GUS†	22,200	692½	+12½
Greenalls	814	391½	−3
GRE†	5,600	316	+3
GKN†	832	1441½	+22
Guinness†	2,100	573½xd	+6¾
HSBC (75p shs)†	2,600	2174	+9
Halifax†	7,700	734	−1½
Hammerson	177	480½	−1
Hanson	2,100	295½	−3
Hays†	326	696	+10
Hillsdown	1,000	169½	+½
Hyder	220	912½	+12½
IMI	1,300	412½	−1½
ICI†	1,800	999	−11
Imperial Tobacco	1,400	358½	−6
Inchcape	3,100	290	
Johnson Matthey	1,400	575½	+5
Kingfisher†	2,600	845½xd	+4½
Ladbroke†	4,900	278½	+10
Land Securities†	528	965	−5
Laporte	490	755xd	+7½
Legal & General†	2,300	482	−11
Liberty Intl.	213	500½	−4½
Lloyds TSB†	7,800	821½	+1
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 26 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY SEPTEMBER 25 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	236.34	-0.5	218.19	180.87	216.83	217.13	-0.2	3.52	237.59	216.60	181.65	218.36	217.52	243.87	205.90	205.90
Austria (26)	205.79	-0.3	189.99	157.49	188.80	188.73	-0.5	1.74	206.48	188.24	157.88	189.77	189.69	208.48	175.14	177.62
Belgium (28)	248.33	1.3	229.26	190.05	227.83	223.04	1.1	3.10	245.19	223.52	187.46	225.34	220.52	261.11	215.57	218.22
Brazil (30)	276.83	1.5	255.57	211.86	253.97	558.32	1.6	1.31	272.82	248.53	208.43	250.56	549.54	322.44	178.94	184.03
Canada (124)	223.76	-0.2	206.58	171.24	205.29	224.47	-0.1	1.69	224.22	204.41	171.43	206.07	224.79	224.94	169.29	169.29
Denmark (32)	413.09	2.1	381.37	316.14	378.99	377.44	1.9	1.35	404.61	368.86	309.34	371.86	370.35	421.25	320.15	320.77
Finland (28)	325.35	1.8	300.37	248.99	298.49	380.35	1.7	1.53	319.51	291.28	244.28	293.65	354.21	325.35	211.71	212.70
France (88)	238.24	-0.2	219.94	182.32	218.57	221.32	-0.5	2.38	238.83	217.73	182.60	219.50	222.45	239.38	195.86	195.93
Germany (59)	228.41	-1.4	210.87	174.80	209.55	209.55	-1.6	1.37	231.72	211.24	177.16	212.96	212.96	238.42	177.27	178.73
Hong Kong, China (66)	510.66	0.1	471.44	390.81	468.50	507.35	0.1	3.07	510.16	465.08	390.04	468.87	506.79	580.03	439.95	442.44
Indonesia (27)	149.07	-4.6	137.62	114.08	136.77	284.96	-2.1	2.25	156.30	142.49	119.50	143.65	291.02	254.90	130.64	206.36
Ireland (17)	377.49	1.7	348.49	288.89	346.32	385.36	2.6	2.65	371.16	338.37	283.77	341.12	356.10	377.48	299.24	299.24
Italy (59)	115.27	1.6	106.41	88.21	105.75	146.25	1.4	1.60	113.46	103.43	86.74	104.27	146.17	115.27	75.44	76.78
Japan (485)	120.10	-1.7	110.88	91.91	110.19	91.91	-1.6	0.86	122.22	111.42	93.44	112.33	93.44	147.81	107.57	147.43
Malaysia (107)	303.66	0.7	280.34	232.39	278.59	385.76	0.9	1.96	301.47	274.83	230.49	277.07	382.31	880.85	287.37	583.83
Mexico (27)	1842.16	0.9	1700.69	1409.80	1690.06	15754.48	0.5	1.54	1837.46	1675.09	1404.61	1688.72	15683.09	1884.38	1136.59	1229.27
Netherlands (19)	413.78	0.6	382.01	316.67	379.62	374.96	0.3	2.23	411.38	375.03	314.52	378.06	373.79	431.66	300.30	300.52
New Zealand (14)	91.91	-0.5	84.85	70.34	84.32	76.01	-0.5	4.01	92.39	84.22	70.63	84.91	76.41	96.47	83.08	87.25
Norway (41)	349.72	0.3	322.86	267.64	320.85	338.71	0.1	1.61	348.55	317.75	266.48	320.34	338.22	349.72	251.32	254.34
Philippines (22)	100.40	1.1	92.69	76.84	92.12	167.72	1.2	1.26	99.26	90.51	75.91	91.25	165.75	214.07	96.40	205.05
Singapore (42)	299.47	-0.5	276.47	229.18	274.74	210.45	-0.2	1.50	301.10	274.49	230.20	276.72	210.78	448.01	284.17	403.79
South Africa (43)	327.35	0.3	302.21	250.52	300.32	334.88	0.2	2.55	326.23	297.41	249.42	299.83	334.31	370.12	301.49	346.74
Spain (36)	274.48	1.2	253.40	210.06	251.82	308.62	1.0	2.12	271.22	247.25	207.36	249.27	306.49	276.05	180.47	181.48
Sweden (49)	528.42	0.7	487.84	404.40	484.80	593.33	1.4	1.74	525.01	478.62	401.39	482.51	585.06	528.56	375.75	375.75
Switzerland (33)	317.06	0.9	292.71	242.64	290.88	286.30	0.9	1.16	314.30	286.53	240.30	288.86	283.73	329.59	231.69	241.91
Thailand (41)	45.52	0.6	42.03	34.84	41.76	63.04	0.3	4.45	45.25	41.25	34.59	41.58	62.87	146.69	37.40	139.04
United Kingdom (213)	329.44	1.8	304.14	252.12	302.24	304.14	3.1	3.26	323.65	295.05	247.45	297.45	295.05	329.44	248.30	248.30
USA (634)	384.87	0.8	355.31	294.54	353.08	384.87	0.8	1.61	381.99	348.24	292.05	351.07	381.99	389.67	279.69	279.68
Americas (815)	351.87	0.7	324.85	269.29	322.82	296.42	0.7	1.61	349.39	318.52	267.12	321.11	294.31	358.35	255.76	255.76
Europe (722)	287.80	0.8	265.70	220.25	264.04	271.87	1.2	2.35	285.47	260.25	218.26	262.37	268.57	287.80	217.37	217.37
Nordic (150)	450.95	1.0	416.32	345.11	413.72	444.03	1.4	1.68	448.50	407.05	341.37	410.36	437.90	450.95	321.90	321.90
Pacific Basin (880)	136.33	-1.4	125.86	104.33	125.07	105.41	-1.2	1.38	138.20	125.99	105.66	127.02	106.73	162.15	127.18	161.66
Euro-Pacific (1592)	199.54	-0.1	184.22	152.71	183.07	187.85	0.2	1.98	199.67	182.02	152.65	183.50	187.46	209.12	173.55	184.74
North America (758)	374.90	0.7	346.11	286.91	343.95	374.20	0.7	1.61	372.28	339.36	284.62	342.14	371.56	379.38	272.96	272.96
Europe Ex. UK (499)	258.88	0.3	239.00	198.12	237.51	247.96	0.2	1.81	258.19	235.38	197.40	237.29	247.50	258.88	195.81	195.81
Pacific Ex. Japan (395)	276.62	-0.2	255.38	211.70	253.78	258.91	0.0	2.99	277.07	252.59	211.83	254.64	256.79	320.65	260.02	280.52
World Ex. US (1616)	203.87	0.0	188.21	156.02	187.04	174.86	0.2	1.94	203.85	185.83	155.93	187.44	174.55	212.89	176.94	186.36
World Ex. UK (2237)	255.39	0.2	235.78	195.45	234.91	228.47	0.2	1.61	254.94	232.41	194.91	234.30	228.04	262.69	211.16	212.25
World Ex. Japan (1965)	333.41	0.7	307.81	255.16	305.88	325.68	0.8	1.93	331.11	301.86	253.15	304.31	322.97	334.83	252.09	252.09
The World Index (2450)	261.71	0.3	241.61	200.29	240.11	235.33	0.5	1.78	260.82	237.78	199.41	239.71	234.20	267.21	215.38	215.38

 CONSTITUENT CHANGE 29/9/97: Name change: GTM Entrepose to Groupe GTM (France). Latest prices were unavailable for this edition.

4 pm close September 29

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
84½	51½	Xerox x	1.28	1.5	22	14049	83½	81½	[illegible]	[illegible]
55½	40½	Xtra Corp	0.80	1.4	21	245	[illegible]	[illegible]	[illegible]	[illegible]
25	20¾	Yankee Egy x	1.34	5.7	14	53	[illegible]	[illegible]	[illegible]	[illegible]
58	37⅜	York Int x	0.48	1.1	14	973	[illegible]	[illegible]	[illegible]	[illegible]
7⅛	4	Zapata	0.28	3.8	61	724	[illegible]	[illegible]	[illegible]	[illegible]
13⅛	8⅛	[illegible]				1108	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	24⅝	Zenith Nat	1.00	3.6	16	198	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	7¼	[illegible]	0.76	9.5		149	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	17¾	Zero	0.12	0.4	30	147	[illegible]	[illegible]	[illegible]	[illegible]
15¾	10¾	[illegible]	1.32	8.9		331	u13⅞	13⅞	[illegible]	[illegible]
9¾	8	Zweig Tot	0.84	9.1		595	9⅛	9⅛	[illegible]	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 26	Sep 25	Sep 24	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7922.18	7848.01	7906.71	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.08	104.04	104.19	104.70 (31/7)	101.09 (14/4)	104.78 (31/7/97)	54.99 (1/10/81)
Transport	3163.11	3136.60	3167.31	3208.80 (19/9)	2222.07 (2/1)	3208.80 (19/9/97)	13.23 (8/7/32)
Utilities	238.38	239.06	240.18	242.92 (16/9)	208.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's High 7970.80 (7962.45) Low 7853.88 (7802.34) (Theoretical) Day's High 7928.84 (7929.54) Low 7849.13 (7840.40) (Actual)

Standard and Poors	Sep 26	Sep 25	Sep 24	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite	945.22	937.91	944.48	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials	1105.33	1097.79	1104.11	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	111.59	110.07	111.52	112.55 (22/9)	80.75 (2/1)	112.55 (22/9/97)	7.13 (4/9/74)
Others							
NYSE Comp.	495.20	491.52	494.27	498.16 (22/9)	389.47 (11/4)	498.16 (22/9/97)	4.64 (25/4/42)
Amex Comp	689.84	685.24	686.07	689.84 (22/9)	541.20 (28/4)	689.84 (22/9/97)	524.20 (16/7/96)
NASDAQ Comp	1682.24	1678.89	1687.41	1697.36 (23/9)	1201.00 (2/4)	1697.36 (23/9/97)	54.87 (3/10/74)
Russell 2000	448.88	447.92	448.58	449.42 (23/9)	335.85 (25/4)	449.42 (23/9/97)	123.36 (7/12/93)

RATIOS

	Sep 26	Sep 19	Sep 12	Year ago
Dow Jones Ind. Div. Yield	1.68	1.67	1.69	2.17
	Sep 24	Sep 17	Sep 10	Year ago
S & P Ind. Div. yield	1.50	1.50	1.54	1.97
S & P Ind. P/E ratio	25.42	25.37	24.80	22.54

US DATA

MARKET ACTIVITY

Volume (million)	Sep 26	Sep 25	Sep 24
NYSE	501.684	524.888	645.840
Amex	28.792	30.392	28.348
NASDAQ	690.619	748.085	798.371

NYSE	Sep 26	Sep 25	Sep 24
Issues Traded	3,388	3,384	3,392
Rises	1,744	1,363	1,439
Falls	1,055	1,487	1,430
Unchanged	589	534	519
New Highs	222	219	301
New Lows	13	15	16

NYSE TRADING ACTIVITY — Volume : 501,684,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Monsanto	5,341,400	39⅞	+1
Pepsico	4,910,200	40⅜	+⅜
Westinghse	4,745,500	27	-⅛
AT&T	4,517,500	45⅛	+¼
Gulf Can Rs	4,307,100	9⅛	-⅛
Compaq	4,236,800	74⅞	+1
Phlp Morris	3,785,900	41⅛	-⅛
Micron Tch	3,678,500	34½	-½
Torchmark	3,358,700	38⅛	+⅜
Ikon Office	3,187,500	24½	+1⅛

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Fed Mogul	37¼	+3⅞	+11.2
Pfeiffer Vac	31	+3	+10.7
St Street	58⅞	+4⅛	+7.6
Magna Grp	41	+2¾	+7.2
Downs			
Pluma	10	-3⅜	-25.2
Breed Tech	21½	-1⅝	-7.0
Boston Sci	58⅛	-4⅛	-6.8
Medusa	29¼	-1⅛	-5.4

NASDAQ TRADING ACTIVITY — Volume :690,619,000

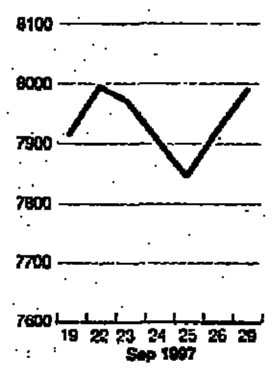
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	12,987,800	93⅛	-⅛
Nextlink A	9,228,500	23¼	+6¼
Ascend Com	8,861,700	36⅛	-⅝
Cymer	8,290,300	25½	-4½
Cognos	7,762,900	24⅛	+2
Three Com	7,675,600	51⅛	+⅜
Informix	6,826,000	7⅛	+½
Big Dog	6,530,800	14	
Worldcom	6,372,600	36⅛	+¼
Great Tech	6,330,400	27⅜	+3¼

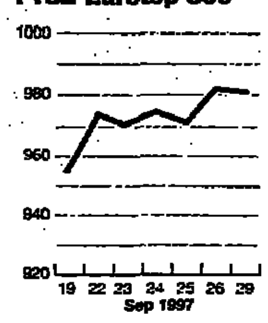
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Nextlink ComA	23¼	+6¼	+36.8
Network Sol	23⅛	+5⅛	+29.5
Affiliated Sol	25	+4	+19.0
Reliable Lf	14⅝	+2¼	+18.6
Downs			
Biocryst Ph	6¼	-3¼	-34.2
Techforce	8	-3⅛	-28.1
Benchmq Mic	24½	-9	-26.9
Scopus Tch	18⅛	-4	-17.7

Dow Jones



FTSE Eurotop 300



JAPAN

	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	17987.21	17994.71	18341.96	20681.07	17303.65	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 419,000,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Sakura Bk	5,937,000	590	-28
NKK Corp	4,931,000	166	-5
Yaohan Jpn	4,788,000	2	-1
Yamaichi Sc	4,696,000	239	+2
Nippon Stl	4,691,000	267	+7
Fuji Bank	4,311,000	1310	-70
Np Cred Bk	4,047,000	175	+3
Kumagai Gm	3,808,000	91	+3
Fujitsu	3,783,000	1520	-10
Hitachi	3,688,000	1050	+20

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Pacific Mtl	176	+23	+15.1
Nihon Mat	350	+35	+11.1
Fujiko	105	+10	+10.5
Np Yin Kgy	127	+12	+10.4
Downs			
Daiichi Kt	100	-35	-25.9
Yamazen Cp	263	-72	-21.5
Kyoei Tank	120	-30	-20
Tayca Corp	156	-34	-17.9

FRANCE

	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2988.96	2985.83	3005.38	3075.87	2256.97	3075.87	984.81

PARIS TRADING ACTIVITY — Volume : 247,490,780

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Usinor	906,410	119.8	+1.7
Alcatel	650,678	773	+7.0
Elf Aquit	629,399	796.0	-3.0
Rh Poulenc	577,962	240.0	+0.4
CSF	547,087	193.5	+3.6
Lagardere	521,382	186.0	+2.8
AXA-UAP	483,179	398.3	+1.4
Soc Generale	480,827	854.0	+8.0
Total	433,988	674.0	-5.0
Bqe Natl	410,854	298.7	-0.2

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Traffiad	269.0	+25.9	+10.7
Soc Fin Inter	176.0	+18.0	+10.0
Guitel-Et	154.9	+11.6	+8.1
Nand Livres	45.9	+3.1	+7.2
Downs			
Sext Avion	226.5	-83.5	-26.9
Labo Dolisos	125.0	-20.9	-14.3
Arbel	72.25	-7.75	-9.7
Aell St Three	706.0	-74.0	-9.5

GERMANY

	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4104.27	4060.78	4148.58	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 7,229,891

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Deutche Bnk	801,123	121.2	+3.15
Lufthansa	496,042	33.9	+0.4
Deutsche Tel	439,191	33.65	-0.34
Dresdner Bnk	368,078	80.5	+1.3
BASF	359,181	62.7	+0.7
Siemens	354,676	117.95	-0.95
Bayer	252,580	69.3	+0.55
Commerzbank	237,528	63.2	-0.1
RWE	197,854	71.8	+1.9
Daimler Bnz	164,074	143.2	+1.1

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Mars Kliniken	35.5	+2.5	+7.6
Alcatel Sel	310.0	+20.0	+6.9
SGL Carbon	257.5	+10.5	+4.3
Kaufring	89.3	+3.3	+3.8
Downs			
Moenus Text	14.0	-1.0	-6.7
Kolbenschm	24.5	-1.4	-5.2
Sbd	162.0	-8.2	-4.8
Bausch	40.0	-2.0	-4.8

UK

	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5220.3	5226.3	5065.5	5228.30	4056.60	5228.3	986.9

LONDON TRADING ACTIVITY — Volume : 811,100,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Delaney	25,699,550	2¼	+⅛
Gt Univ Str	21,698,280	692½	+12½
Reed Intl	14,706,440	507	-29½
Centrica	13,474,750	93¼	-½
Signet	12,558,670	33½	
Tesco	11,380,200	472½	-18
Shell T&T	10,887,320	453½	-1½
ASDA	10,512,840	159	-5
BT	10,343,660	412½	-5
Safeway	9,926,906	405½	+6½

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Ball (AH)	12	+3	+33.3
Electrn Data	67½	+11	+19.5
Fairbdar	40	+6	+17.6
Hambros	242½	+15½	+6.8
Downs			
Petaling Tin	105	-25	-19.2
Prestwick	31½	-5½	-14.9
Stylo	102½	-12½	-10.9
Ind Control	59½	-5½	-8.5

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	953.15	952.90	-0.30	954.00	952.10	50,398	187,252
Mar	-	963.50	-	-	961.50	204	3,008

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	17900.0	17960.0	+30.0	17990.0	17680.0	19,833	167,721
Jun	17940.0	17940.0	-60.0	17940.0	17940.0	1	18,503

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2973.0	2990.0	-	2997.0	2953.0	38,314	25,923
Oct	2890.0	2996.5	+1.0	3002.0	2959.5	18,179	16,502
DAX							
Dec	4159.0	4150.0	-2.00	4165.5	04110.0	9,233	59,354
Mar	4164.0	4184.5	-2.50	4184.5	4158.0	51	2,556

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	2615.00	2608.00	-15.00	2630.00	2586.00	3,637	23,434
SOFFEX							
Oct	5721.0	5699.0	-46.0	5743.0	5686.0	2,490	22,676

WORLD MARKETS AT A GLANCE

Country	Index	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Yield	P/E
Argentina	General	24930.31	24864.40	24601.79	24917.86 5/8	18237.37 2/1	2.61	20.9
Australia	All Ordinaries	2774.8	2775.8	2779.2	2779.20 25/9	2352.29 1/4	3.26	19.5
	All Mining	780.2	782.6	773.1	987.10 24/2	755.18 18/8		

Prices eased ahead of week's string of economic data. Telstra's prospectus to raise an estimated A$12-14.2bn was released.

Country	Index	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7662.29	7614.10	7578.61	8483.80 6/8	4291.30 6/1	na	na

Chemicals leader TVK led the broad market higher. Volume remained at low levels.

Country	Index	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	3912.83	3925.24	3897.56	4548.02 5/8	3225.24 2/1		
	Crisil 500	725.85	724.93	719.75	843.28 5/8	622.71 2/1	na	na

Late profit-taking clipped leading stocks but left the leadindex sitting on a solid gain.

Country	Index	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Yield	P/E
Poland	WIG	17473.9	17485.9	17834.8	18339.40 18/2	14421.60 6/1	1.35	12.3

Shares fell for the fourth session running. Volume remained low.

Country	Index	Sep 29	Sep 26	Sep 25	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3557.64	3542.20	3496.62	3803.95 7/8	2189.57 2/1	1.68	25.7
	PSI 20	8296.4	8262.22	8148.43	8360.68 7/8	5152.34 2/1		

Shares gained ground as Portugal Telecom touched a new high ahead of next month's government share issue.

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NASDAQ NATIONAL MARKET

4 pm close September 29

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close September 29

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

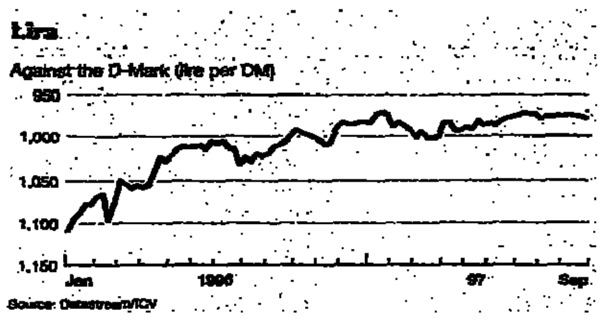
Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		8600	8.25	2.875	Innogenetics	US$11.125	+0.125	26550	12.75	9.875
Artwork Systems	US$8.125		81025	11.125	7.875	Lernout & Hauspie	US$41.375	-3.875	16169	45	25
Chemunex	FFr12.5	-0.5	77420	18	10	Mercer Int'l	US$11	+0.125		11.75	8.125
Dobonair Holdings	GBP6.2		2300	7.15	4.5	NTL	US$26.875	-0.125		27.5	20.5
Dr Solomon's ADS	US$25.875	+0.125		30.75	16.875	PixTech	US$3.5			6.125	3.375
EDAP TMS	US$7.5625	+0.063		9.125	6.5	Schoeller-Bleckmann	Sch1530	-3	9839	1692	900
ESPACE PROD INT	FFr119.38	-1.87	48165	126	113.5	Topcall Int'l	Sch4645	+132	1568	4543	3065
Esprit Telecom ADS	US$8			12.25	5.375	Turbodyne Technol.	US$4.6			6.25	3.73

Prices for 29/9/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)

Italian market unsettled by draft budget

WORLD OVERVIEW

The Italian stock market took a knock yesterday as the government unveiled its draft budget for 1998, and ran into immediate opposition from its own side, *writes Philip Coggan.*



Fausto Bertinotti, leader of the leftwing Foundation party, said his grouping would not support the budget, which aims to cut the deficit by L25,000bn, in its present form. The centre-left government depends on the Foundation party for support.

While the budget might still pass with the support of other parties, the uncertainty unsettled Italian bonds, the lira and the Mibtel index, which dropped 1.5 per cent on the day.

The Milan stock market hit an all-time high last week after a robust performance in 1997 as shares benefited from the convergence effect on bonds and the prospect of interest rate reductions.

However, Joe Rooney at Lehman Brothers sees the Italian stock market as one of the most expensive in the world (along with France, Germany and Hong Kong).

The investment bank uses a valuation method which compares the market's earnings yield with the bond yield, and says that Italy, having been relatively attractive a few months ago, has become overvalued.

Meanwhile, the latest note from the European team at BZW sounds a warning note about the French market.

"The French market has performed a bit better than we expected recently, underperforming the peripheral countries, but behaving a bit better than the other core continentals. The explanation lies primarily in the market's lower dollar sensitivity, which has helped as the D-Mark has regained ground against the dollar."

"Looking ahead, the cyclical and structural factors which have impeded the market throughout the last few years should again come to the fore. The French budget showed the fiscal pressure the country is under," says the team.

"The possibility of the UK joining Emu, by raising the outlook for continental European interest rates, increases the monetary pressure France will face in future," the team adds.

The Paris stock market edged up by 0.1 per cent yesterday on what was a fairly quiet day for world stock markets, as investors awaited the outcome of today's meeting of the US Federal Reserve's open market committee.

Very few people were expecting the Fed to raise rates although some analysts are looking for an increase before the end of the year.

Asian markets were fairly stable, the FTSE Eurotop 100 index dropped just 0.1 per cent, and early trading on Wall Street was subdued.

London market, Page 41

MARKET FOCUS

Swiss clamber to new heights

The Swiss stock market may not have the glamour of an emerging stock market but it has put in a performance this year which overshadows most of the world's newer markets.

In spite of a 15 per cent correction in July and August, it is still 44 per cent higher than at the start of the year and US dollar-based investors have seen a rise of about a third.

Among the major European stock markets, only Italy has done better in 1997. The Swiss market, in dollar-adjusted terms, has risen twice as fast as London and three times as fast as Paris. This year's performance is in marked contrast to 1996 when the weakness of the Swiss franc wiped out most of the gains for foreign investors.

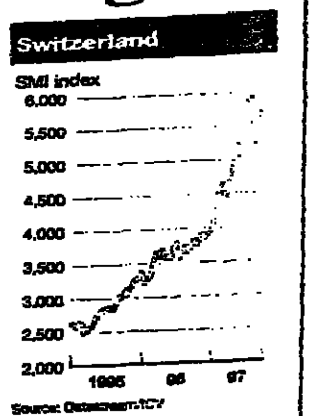
There are a number of explanations why Switzerland is setting the pace. The economy, after nearly seven years of stagnation, is starting to recover. Swiss interest rates are at their lowest level in years, and the Swiss franc is no longer hopelessly overvalued.

The recovery in the domestic economy is of negligible importance for blue chips, like Novartis, Nestlé and ABB, which earn the bulk of their profits overseas. But exchange rate movements have a big impact on reported profit announcements. Bank Vontobel in Zurich expects Swiss corporate profits to rise by 33 per cent this year, after adjusting for restructuring costs, and 20 per cent next year.

This year has also seen a change in the best performing sectors. Pharmaceutical stocks, which account for over 40 per cent of the Swiss Market Index (SMI), used to make the running, but now it is the banking and insurance sectors.

However, the biggest reason for the Swiss market's strong performance is restructuring. It started with last year's merger of

Switzerland



Sandoz and Ciba to create Novartis, the world's second biggest pharmaceutical company. The big three banks followed with measures to restructure their loss-making retail banking.

Bernard Tschanz, director of equity research at Credit Suisse, says Switzerland is more advanced than most European countries when it comes to corporate restructuring and there is more to come.

Pictet, a Geneva private bank, believes the growth in corporate profits will pick up from the 12 per cent a year of the past decade to 15 per cent, and this will help underpin a market which is selling on around 21 times current year's earnings.

However, the Swiss franc remains highly vulnerable to speculative inflows ahead of monetary union and this could dent the rosy profit scenarios.

Meanwhile, the rise in unemployment is beginning to strain Switzerland's enviable record of peaceful labour relations. Last Sunday's referendum, which rejected the government's proposed unemployment benefit cuts, was a reminder that the record stock market profits may have to be distributed more evenly if the country is to continue to emerge as a stock market star.

William Hall

Dow shakes off Aetna downturn

AMERICAS

US stocks gained ground at midsession as all major exchanges traded higher in spite of a downward drag by Aetna on the healthcare sector, *writes John Labate in New York.*

Confirming rumours that sent its stock lower last week, Aetna plunged more than 10 per cent or $9 1/16 at $81½ when the company reported that rising medical expenses would lead to much worse than expected third quarter earnings.

The announcement sent other leading insurers sharply lower, as Oxford Health Plans lost $2 5/16 at $75 7/16, and United Health Care fell $1⅝ at $48 9/16. "I'm not sure there's a broader significance here, beyond the healthcare sector today," said Richard Hoey, director of equity research and chief economist at Dreyfus Corp. Aetna's warning repeats the pattern set by other large companies in recent weeks, including Eastman Kodak and Gillette in the final days of the third quarter period.

By midday the healthcare sell-off was contained as many other sectors rose. The Dow Jones Industrial Average gained 35.17 at 7,954.35 while the broader Standard & Poor's 500 rose 3.57 at 948.79.

Among the Dow's most actively traded shares, Coca Cola gained $1 1/16 at $62⅝ as the company said its worldwide unit case volume had risen by nearly 10 per cent.

Travelers Group, which last week announced a $9bn merger with Salomon, traded $¾ lower at $68⅝. Hewlett Packard slid $1⅞ at $69⅝ as the company announced price cuts on one of its PC lines. Hilton Hotels traded $¾ higher at $32¼ in anticipation of a legal settlement to its dispute with ITT. Auto parts maker Federal Mogul also traded higher, gaining $1¾ or nearly 5 per cent at $39 after Merrill Lynch raised its rating to a near-term buy.

The technology sector also rose modestly, gaining 6.21 at 1,688.45. Shares in semiconductor chip makers moved strongly higher as Intel gained $1⅝ at $94 7/16 while Micron Technology gained $⅝ at $35¼. Software leader Microsoft rose slightly by $¼ to $133⅝. Networking computer firms also moved higher as Bay Networks gained $1¼ at $38 13/16.

TORONTO edged into positive territory at midday as gold and metals stocks powered ahead. The TSE-300 composite index rose 13.13 points to 6,989.01 in turnover of 42.4m shares worth C$669.47m.

The gold group gained 1.6 per cent, while metals and minerals climbed 1.7 per cent to lead six sectors higher.

Paper and forest products led the losers, shedding 1.1 per cent. Banks, communications and transportation were essentially flat.

TrizecHahn Corp rose 35 cents to C$35 in light dealings. The real estate company said earlier in the day that it had agreed in principle to pay about $500m to acquire most the the assets of the closely held JBG. Analysts noted that the deal would see TrizecHahn acquire about 4m square feet of office properties in Washington DC, Virginia and Maryland.

Mexico City edges higher

MEXICO CITY built on Friday's solid gains, adding 18.96 to 5,268.91 on the IPC index at midsession. Brokers said trading showed patches of hesitancy ahead of of a busy week for heavyweight economic data from the US. "Volume this morning is on the light side," said one trader. Telmex rose 18 centavos to 19.88 pesos.

SAO PAULO traded sideways in dull volume. One dealer said the market was mostly on hold ahead of this week's announcement of the privatisation model for Telebras. The telecoms leader ended the morning with a modest 0.07 per cent decline to R$138.10. At midsession, the Bovespa index was down 11.00 at 11,522.

SANTIAGO moved lower in mostly lacklustre morning trade. The IPSA index was off 0.23 at 128.52 at midsession. Endesa shed 1.00 pesos to 292 pesos. CARACAS was 20.98 lower at 10,454.65 on the IBC index at midsession.

Milan pulls back from peaks

EUROPE

Opposition to Italy's 1998 draft budget, unveiled at the weekend, brought profit-takers out in force in MILAN%, pulling share prices back from the all-time highs registered last week.

The Comit index fell 6.80 to 992.76 while the real-time Mibtel index fell 244 to 15,815. The government's proposals drew a hail of criticism from both hard-left allies and the rightwing opposition. Weekend comments by Antonio Fazio, the central bank governor, also appeared to quash growing excitement over the chances for a reduction in interest rates soon.

Compart tumbled L48 to L966.6 after the holding company dismissed speculation of plans for a reorganisation.

Mediobanca was L581 lower at L13,385 after the bank said its board of directors had no plans to discuss a capital increase at their meeting yesterday.

Banca Commerciale Italiana fell L108 to L4,881 as investors became nervious ahead of today's first-half earnings.

AMSTERDAM lost ground following a steep slide at Elsevier which plunged more than 8 per cent in record-breaking volume. The AEX index ended off 0.90 at 904.95.

Brokers estimated that but for the shakeout at Elsevier the leading index would have gained ground. The shares tumbled Fl 2.50 to Fl 28.30 in volume of 16.8m as news of accounting irregularities at a major unit sparked a fierce two-way tussle for sentiment.

There was said to be substantial switching into other publishing groups, notably Wolters Kluwer which powered ahead by Fl 8.60 or 3.4 per cent to Fl 260.40. VNU lost ground initially but closed all square at Fl 344.50.

Gist Brocades, the drugs group that came unstuck last month following a profits warning, spun lower. The shares fell Fl 3.50 or 6.3 per cent to Fl 52.50.

FRANKFURT was weak in late electronic trade amid rumours that the Bundesbank would move today to a variable rate repo, although many analysts were doubtful, saying that inflation had not picked up sufficiently to justify such a move. The Ibis-indicated Dax index was 18.57 lower at 4,116.52.

Lufthansa outperformed the broader market in the late Ibis session, with the bookbuilding road show which began yesterday helping to boost the shares. Lufthansa closed up 95 pfg at DM34.35 after the chief executive said that third-quarter earnings were above target and well above earnings in the same 1996 period.

ProSieben jumped DM5.30 to DM88.80 as Goldman Sachs initiated coverage on the television network with a market outperformer rating.

PARIS had a low volume session with less than 10 shares traded. The CAC 40 index ended up 3.33 at 2,988.96. Thomson-CSF stayed in demand, adding FFr3.60 at FFr193.50 for a rise of more than 11 per cent over the past six sessions as a government decision on a fresh attempt to find a partner for the defence group was said to be imminent.

Market talk pointed to renewed bids from both Alcatel Alsthom and Lagardere. The former hardened FFr7 to FFr773 and Lagardere, which puts out interim results tomorrow, added FFr2.80 at FFr186.

Cie Bancaire had a bad day, sliding FFr31 or almost 4 per cent to FFr748. News of a capital increase at GAN left the insurer's shares FFr8.10 or 5.5 per cent lower at FFr1,399.

MADRID closed at a record high, boosted by the electricity utility, Endesa, as it began its share offer.

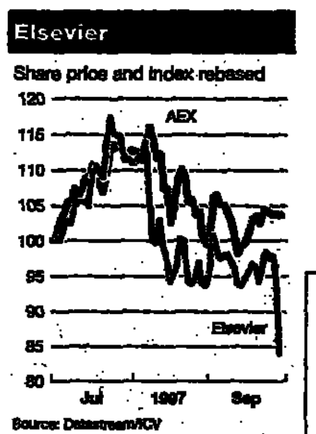
FTSE Actuaries Share Indices — European series

September 29

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	981.14	-0.31	-3.02	2.28	0.37	985.47
FTSE Eurotop 100	2288.68	+0.14	-3.17	-	-	-
FTSE Eurotop 300 Regions						
300 UK	985.89	+0.25	+2.47	3.11	1.00	994.42
300 Ex-UK	978.11	-0.63	-6.20	1.77	0.00	981.07
300 Eurobloc	969.42	-0.45	-4.39	1.87	0.00	972.35
300 Ex-Eurobloc	990.35	-0.21	-2.04	2.46	0.83	995.71
FTSE Eurotop 300 Economic Groups						
Resources	1010.05	+0.21	+2.08	2.63	2.33	1022.28
General Industries	998.86	-0.47	-4.68	1.94	0.04	1000.21
Consumer Goods	931.39	-0.65	-6.13	1.92	0.19	934.26
Services	967.10	-0.36	-3.50	2.23	0.63	971.14
Utilities	969.72	-0.56	-5.44	3.16	0.00	975.26
Financials	1002.33	-0.05	-0.48	2.27	0.00	1006.66

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Elsevier



The general index rose 1.60 to 630.95 as Endesa gained Pta10 to Pta3,195.

HELSINKI improved 31.10 to 3,672.46 on the Hex index. Neste rose FMk2.90 to FMk144.9 amid speculation that the government is to announce tomorrow its decision on the mooted merger with state-owned power group, Imatran Voima. A US roadshow was said to lie behind a FM0.90 or 4.2 per cent rise to FM24.90 at banking leader Merita.

ZURICH was easier in directionless trade and the SMI index finished 24.8 lower at 5,691.8. Against the trend, CS Group picked up SFr3.50 at SFr200.50 ahead of a major presentation to analysts tomorrow at which the company is expected to detail its restructuring progress and future strategies.

Holderbank, SFr36 higher at SFr1,372, and Alusuisse, up SFr35 at SFr1,384, were boosted by reports that several foreign analysts issued buy recommendations.

TEL AVIV surged 2.6 per cent as the market awaited an announcement that Israel and the Palestinians were resuming peace negotiations. The Mishtanim index gained 7.40 to 292.44.

ISTANBUL refused to be deflected from its record setting rally and the market rose another 2 per cent, extending its advance since the start of the month to 33.7 per cent. The IMKB National-100 index ended the day 52 higher at 2,644.

Written and edited by Michael Morgan and Jeffrey Brown

SOUTH AFRICA

Golds had a good day in Johannesburg on the view that the bullion price seemed to have broken new ground after holding above the key $326.50 level. The gold index gained 26.3 to 969.2 but the broader market was weak. Industrials lost 20.5 at 8,687.5 while the overall index was down 16.9 at 7,084.4. Don Group fell 14 per cent to 94 cents in thin trade ahead of results.

Tokyo nervous ahead of tankan

ASIA PACIFIC

A wave of late buying by domestic institutions enabled TOKYO to claw back heavy losses and close only marginally lower, *writes Gwen Robinson.*

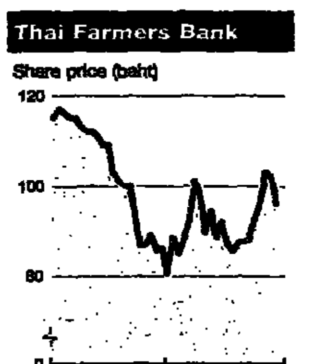
The Nikkei 225 average ended off 7.50 at 17,987.21, just short of the day's 17,992.21 high. Earlier in the session, the index had been as low as 17,680.92.

Stocks plunged in the morning on heavy profit-taking by corporate investors ahead of today's interim book-closings for the end of the fiscal first half. Public funds, however, launched large-volume purchases in the afternoon in continuing efforts to keep the 225 average around the 18,000 level.

Many investors were hesitant to take large positions ahead of Wednesday's publication of the Bank of Japan quarterly tankan survey of corporate sentiment – an important monetary policy determinant and the main gauge of business conditions.

High-tech issues were mixed. Sony fell Y100 to Y11,200, Tokyo Electron Y120 to Y7,250 and Canon Y40 to

Thai Farmers Bank



Y3,500. Advantest, however, gained Y400 to Y11,800, Kyocera Y60 to Y7,760 and Nikon Y60 to Y1,930.

The day's most active issue was Sakura Bank which fell Y28 to Y590. Fuji Bank lost Y70 at Y1,310. Sumitomo Bank gained Y20 to Y1,850 and Industrial Bank of Japan Y10 to Y1,480.

Property stocks retreated on expectations that the government will proceed with plans to reform property tax. Mitsui Fudosan fell Y40 to Y1,500, Heiwa Real Estate Y16 to Y485 and Sumitomo Realty and Development Y17 to Y930.

In Osaka, the OSE average fell 240.99 to 18,292.03 and volume surged to 441m shares.

BANGKOK recovered slightly towards the close but still ended off 8.50 or 1.5 per cent at 549.48 on the SET index as investors awaited news of a widely expected cabinet reshuffle. Turnover was modest at Bt2.8bn.

Bangkok Bank fell Bt9 to Bt29 and Thai Farmers shed Bt6 at Bt96. Among leading construction issues, Kajima shed Y16 to Y544 and Obayashi Y5 to Y725. Fujita improved Y2 to Y73, Sato Kogyo Y5 to Y95 and Tobishima Y9 to Y100.

MANILA moved lower as nervousness built up ahead of the third-quarter results season.

"Local companies will start to issue third quarterlies over the next few days and the impact of the weak peso and high interest rates will have been damaging," said one broker.

The composite index closed 21.63 lower at 2,059.15. Metropolitan Bank came off 7.50 pesos at 315 pesos and Philippines National lost 0.50 pesos at 74 pesos.

HONG KONG was lifted by a strong showing in HSBC as the share caught up with sharp gains made in London trade, made last Friday, on the view that the British government was more positive about European economic and monetary union.

HSBC, which closed at HK$245 in the domestic market on Friday, subsequently traded up to HK$254.40 in London.

In Hong Kong yesterday, the shares finished at HK$254, which contributed 125.28 of the day's rise in the Hang Seng index. The index finished 153.50 higher at 14,864.37 in turnover that dipped to HK$13.3bn.

China plays were again hit hard by profit-taking. The Hang Seng China Enterprises Index of 35 H shares closed 2.1 per cent lower at 1,204.50. Shenzhen Catic rose to HK$4.20 on its debut before closing at HK$3.15, still a sharp premium to its offer price of HK$1.73.

KUALA LUMPUR found support for blue chips from local funds but broader market indices were more mixed in a very subdued trading session. The composite index closed up 9.26 at 809.07, its high for the day.